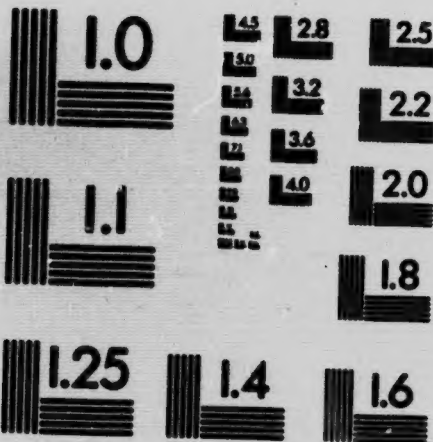


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BANK GEOGRAPHY

LESSON 1



.. BY ..

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"A Rational Banking System."*



.. THE ..
SHAW CORRESPONDENCE SCHOOL
TORONTO, CANADA.

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BANK GEOGRAPHY

LESSON 1

Branch Distribution.

Geographical Position of the Individual Banks.

IN order to get a general idea of the geographical position of the various banks operating in Canada, it is advisable to study each institution separately. In the series that follows, the banks are taken in order according to the amount of their total assets as at the end of 1911. It will be understood that changes occur from time to time in the order or classification of the banks as thus determined; and it should be remembered also that superiority in regard to total assets does not in every case indicate greater usefulness, greater power or strength, and heavier volume of business.

Before proceeding to study the position of the individual banks, it will be well to remark that the banking field in Canada is entirely in the possession of corporations chartered by the Dominion Government. Section 156 of the Bank Act says: "Every person assuming or using the title of 'bank,' 'banking company,' 'banking house,' 'banking association,' or 'banking institution,' without being authorized to do so by this Act, or by some other Act in force in that behalf, is guilty of an offence against this Act."

And the next section prescribes the penalties to apply to such an offence: "Every person committing an offence, declared to be an offence against this Act, shall be liable to a fine not exceeding one thousand dollars, or to imprisonment for a term not exceeding five years, or to both, in the discretion of the court before which the conviction is had."

Foreign Banks Cannot Establish Branch Offices in Canada.

These clauses and other prohibitory clauses of the same kind, found in the Bank Act, were aimed chiefly at private parties and small or weak concerns setting themselves up as banks or bankers. The desire of Parliament was to protect the public. It is desired that all parties or associations carrying on banking business in Canada shall procure a Dominion charter and subject themselves to the provisions of the Canadian Bank Act. The clauses also operate to bar British and foreign banks from the Canadian field unless they take out a Canadian charter, and otherwise conform to the banking laws of the Dominion.

On the other hand, Canadian chartered banks are permitted to establish branches and carry on business in sundry foreign countries as well as in Great Britain and in certain British colonies. The Canadian banks have representation by branch or agency in London, England, Paris, France, Newfoundland, the West Indies, Mexico, and in six states of the American union. In New York City a number of the banks have agencies. Branches in that city are out of the question because of the heavy rate of taxation and because of the difficulty of securing authorization from the state government.

We may now proceed to study the geographical position of the individual banks, beginning with the Bank of Montreal.

Bank of Montreal.

The head office of this bank is in Montreal; and it has branch representation in every province of Canada. Following is the record of branches as at the end of 1909; 1910, 1911.

Province	1909	1910	1911
Ontario.....	50	50	51
Quebec	25	25	25
Nova Scotia.....	12	12	12
New Brunswick.....	12	12	12
Prince Edward Island...	1	1	1
Manitoba.....	9	9	9
Saskatchewan.....	6	6	6
Alberta.....	8	9	10
British Columbia.....	18	20	25
In Canada.....	141	144	151
United States	3	3	3
England.....	1	1	1
Newfoundland.....	2	2	3
Mexico.....	1	1	1
	148	151	159

(The particulars regarding bank branches are taken from statistics published by the Monetary Times.)

Roughly one-third of the bank's branches are in the Province of Ontario. Quebec and the Maritime Provinces also hold one-third of the bank's branches; and nine-tenths of the remaining third are in the four Western Provinces. Ontario thus represents the central portion of the branch system of the Bank of Montreal. The branches of the bank are mostly in the larger towns and in the cities. Through its absorption of the People's Bank of Halifax in 1905 and its acquisition of the estate of the Ontario Bank in 1906, it came into possession of a number of branches in small places. The Bank of Montreal has also established branches in many small western settlements. It entered Newfoundland in 1894, immediately after the Union Bank of Newfoundland and the Commercial Bank of Newfoundland failed.

Canadian Bank of Commerce.

The head office of the Canadian Bank of Commerce is in Toronto ; and the record of its branches, as at the ends of 1909, 1910 and 1911 is as follows :

Province	1909	1910	1911
Ontario.....	66	66	66
Quebec.....	3	3	3
Nova Scotia.....	13	13	13
New Brunswick.....	1	1	1
Prince Edward Island....	5	5	5
Manitoba.....	21	23	22
Saskatchewan.....	36	43	52
Alberta.....	32	38	41
*British Columbia.....	22	29	34
In Canada.....	199	221	237
United States.....	5	4	4
England.....	1	1	1
Mexico.....		1	1
	205	227	243

Since the end of 1911, the Canadian Bank of Commerce absorbed the Eastern Townships Bank, thereby acquiring possession of 101 branches established by that bank. Some of these branches were however closed, but more than 90 offices were added to the Commerce total, most of them being in Quebec Province.

In the case of the Commerce, the balance of the branches inclines more heavily towards the West. Prior to the absorption of the Eastern Townships, about three-fifths of the branches were in the Western Provinces : since the completion of that absorption, the balance between East and West has been made approximately even. It will be seen that the

*Two branches in Yukon Territory are included in the British Columbia total.

establishment of new branches is proceeding rapidly—especially in the new provinces west of Lake Superior. The indications are that the centre of the system will tend towards the Pacific Coast. At present it lies near the Ontario-Manitoba boundary. (Before the absorption of the Eastern Townships, it lay near the Manitoba-Saskatchewan boundary.)

It should be noted that the bank's strong position in British Columbia is largely due to its acquisition, in 1900, of the Bank of British Columbia. In taking over that institution, it acquired eight well-developed branches in British Columbia, and branch representation in San Francisco, California, Portland, Oregon, and London, England. In 1903, through the absorption of the Halifax Banking Company, the bank acquired its existing system of branches in Nova Scotia and New Brunswick. The branches in Prince Edward Island were acquired through the absorption of the Merchants Bank of Prince Edward Island in 1906.

***Royal Bank of Canada.**

Prior to 2nd January, 1901, this bank was known as the Merchants Bank of Halifax. In 1900, the head office was moved from Halifax, Nova Scotia, to Montreal. Following is the table showing the distribution of the Royal Bank's branches :

Province	1909	1910	1911
Ontario.....	30	31	31
Quebec.....	9	11	11
Nova Scotia.....	16	50	51
New Brunswick	15	16	16
Prince Edward Island....	2	3	3
Manitoba.....	4	4	4
Saskatchewan	5	8	12

*Since the beginning of 1912, the directors of the Royal Bank of Canada and of the Traders Bank of Canada have entered into a provisional agreement for the absorption of the latter by the former.

Alberta.....	2	4	10
British Columbia.....	26	30	37
In Canada.....	109	157	175
United States	1	1	1
England.....		1	1
Newfoundland.....	1	1	2
West Indies	13	17	24
	124	177	203

As yet, the balance of the Canadian branches inclines towards the Eastern Provinces—nearly half of them being in the Maritime Provinces and Quebec. So the centre of the system of home branches would lie in the eastern portion of Ontario. The large gain in number of branches in 1910 occurred principally as a result of the absorption of the Union Bank of Halifax, which had 45 branches. The branches in the West Indies are increasing steadily; and, owing to the approaching completion of the Panama Canal, the executive of the bank has declared an intention of making further augmentations in the number of these branches.

The Royal Bank has been giving a considerable measure of attention to British Columbia. It will be noted that the number of branches in that province exceeds the number in every one of the other provinces excepting Nova Scotia.

Merchants Bank of Canada.

This bank's branches are distributed as follows :

Province	1909	1910	1911
Ontario.....	69	69	71
Quebec.....	16	17	17
Nova Scotia.....		1	1
New Brunswick.....		1	1
Manitoba.....	13	14	16
Saskatchewan ..	9	12	15

Alberta.....	27	34	38
British Columbia.....	5	7	8
In Canada	139	155	167
United States.....	1	1	1
	140	156	168

The head office is in Montreal. Nearly one-half of the branches are in the four Western Provinces; and, as the Western branches are increasing more rapidly in number, an equilibrium between East and West will probably be effected shortly. A continuation of the present policy of branch extension will naturally lead to a preponderance of Western offices. In the case of this bank the Eastern branches are, to a considerable extent, bunched in the Province of Ontario. Prior to 1910, it had no branches east of Quebec City. In that year it established offices in St. John, New Brunswick, and Halifax, Nova Scotia.

Imperial Bank of Canada.

Province	1909	1910	1911
Ontario.....	54	57	65
Quebec.....	3	3	5
Manitoba	4	4	5
Saskatchewan.....	9	12	12
Alberta.....	10	10	13
British Columbia.....	14	15	16
In Canada.....	94	101	116

The head office of the Imperial Bank is in Toronto. Three-fifths of the branches are in the East, and two-fifths in the West—the Eastern branches being nearly altogether in Ontario. One-fifth of its Ontario branches are in the Niagara Peninsula, its peculiar strength there being due largely to its absorption of the Niagara District Bank in 1875.

Dominion Bank.

Province	1909	1910	1911
Ontario.....	52	53	53
Quebec	4	4	4
Manitoba	8	8	8
Saskatchewan.....	9	9	7
Alberta.....	5	5	
British Columbia	2	2	3
In Canada.....	80	81	82
England.....			1
	80	81	83

With head office in Toronto, the Dominion Bank was for some time exclusively an Ontario institution. Two-thirds of its branches are in that province. It is however gradually extending its system of branches in Western Canada. Roughly, one-third of its branches are in the cities—Toronto, Montreal, Winnipeg, Hamilton, London. The City of Toronto contains nearly one-fourth of the total number of Dominion Bank branches.

Bank of British North America.

This bank is an English institution. It has a royal charter but works under the authority of the Canadian Bank Act. Its board of directors sits in London, and most of its stock is held in the British Isles. The general manager's office is in Montreal. It should be remembered that the Bank of British North America stock-holders are not subject to the double liability attaching to the shareholders of all other Canadian banks. This is one of the privileges conferred by its charter. Because of the circumstance, the bank's rights of note issue are not as extensive as those possessed by the other Canadian banks.

Province	1909	1910	1911
Ontario.....	19	19	19
Quebec.....	7	7	8
Nova Scotia.....	1	1	1
New Brunswick.....	4	6	6
Manitoba.....	7	7	7
Saskatchewan.....	13	20	23
Alberta.....	3	4	5
†British Columbia.....	11	14	16
In Canada.....	65	78	85
United States.....	2	2	2
England.....	1	1	1
	68	81	88

This is another institution having the larger proportion of its branches in Western Canada. Even when the Manitoba branches are counted with the Eastern portion of the system, the Eastern offices scarcely amount to half of the whole. The centre of the system would therefore lie somewhere in the Province of Saskatchewan.

Bank of Nova Scotia.

Province	1909	1910	1911
Ontario.....	17	23	22
Quebec.....	6	6	5
Nova Scotia.....	24	27	27
New Brunswick.....	15	15	15
Prince Edward Island.....	2	2	2
Manitoba.....	1	1	1
Saskatchewan.....	2	2	3
Alberta.....	2	2	2
British Columbia.....	1	1	3
In Canada.....	70	79	80
United States.....	3	3	3

†One branch in Yukon Territory is included in the British Columbia total.

Newfoundland.....	3	7	7
West Indies.....	8	10	11
	84	99	101

The head office of the Bank of Nova Scotia is in Halifax, and its board of directors is domiciled there ; but the general manager's office is in Toronto. It will be seen that it is as yet largely an Eastern bank. The branches west of Lake Superior are confined to the larger cities. Nearly one-half of the branches are in the Maritime Provinces ; and one-fifth of the whole are in Newfoundland, the United States and the West Indies.

Union Bank of Canada.

Province	1909	1910	1911
Ontario.....	45	52	82
Quebec.....	5	5	7
Nova Scotia.....		1	1
New Brunswick.....			2
Manitoba	38	39	39
Saskatchewan.....	46	62	70
Alberta.....	31	40	40
British Columbia.	2	7	11
	167	206	252
In Canada			1
England.....			1
	167	206	253

The head office of this bank has recently been moved from Quebec City to Winnipeg. The move followed naturally upon the policy of giving an especial measure of attention to the Western field. The bank was originally named Union Bank of Lower Canada. When it established itself in Ontario, the name was changed to Union Bank of Canada. Although it was not the first bank to establish a branch in Western Canada, it was the first to spread an extensive

system of branches in that part of the Dominion. The centre of its branch system lies about at the boundary between Manitoba and Saskatchewan. The Eastern part of its system was considerably augmented in 1911, through the absorption of the United Empire Bank. As the Union Bank is active in opening branches in Saskatchewan, Alberta and British Columbia, the predominance of the Western branches is likely to be increased.

Bank of Toronto.

Province	1909	1910	1911
Ontario	54	54	61
Quebec.....	7	7	9
Manitoba	7	7	8
Saskatchewan.....	5	11	14
Alberta.....	2	2	4
British Columbia.....	2	2	5
In Canada.....	77	83	101

The head office is in Toronto, and three-fifths of the branches are in the Province of Ontario. Roughly one-fifth of the offices are in the larger cities. In 1910 and 1911, the number of Western branches was practically doubled. The centre of the system lies somewhere in Ontario.

*Traders Bank of Canada.

Province	1909	1910	1911
Ontario.....	84	90	90
Quebec.....	1	1	1
Manitoba	1	1	1
Saskatchewan.....	4	5	6
Alberta	9	12	13
British Columbia.....	1	3	3
In Canada.....	100	112	114

*The executive of this bank has agreed, subject to ratification by the shareholders, to merge its business in that of the Royal Bank of Canada.

The head office is in Toronto and about four fifths of the branches are in the Province of Ontario. Apart from the branch in Montreal there were at the end of 1911 no Eastern branches outside of Ontario.

Molsons Bank.

Province	1909	1910	1911
Ontario.....	43	43	46
Quebec.....	24	25	27
Manitoba.....	1	2	2
Alberta.....	5	5	5
British Columbia.....	3	3	3
In Canada.....	76	78	83

The head office is in Montreal and most of the branches are in Ontario and Quebec—more than half being in Ontario—and the centre of the system lies in that province.

Bank of Ottawa.

Province	1909	1910	1911
Ontario.....	52	54	59
Quebec.....	10	10	11
Manitoba.....	6	6	7
Saskatchewan.....	6	8	10
Alberta.....	1	1	1
British Columbia.....	1	1	1
In Canada.....	76	80	89

The head office is in Ottawa, and originally the bank's activities were largely confined to the Ottawa Valley. Like other banks however it has gradually extended its operations over a considerable part of the Dominion. But the system of branches as yet centres in Ontario, the offices outside that province comprising a relatively small proportion of the whole.

Bank of Hamilton.

Province	1909	1910	1911
Ontario	57	58	58
Manitoba	27	29	29
Saskatchewan	22	26	27
Alberta	7	11	10
British Columbia	8	11	11
In Canada	121	135	135

The head office is in Hamilton, and the Ontario branches lie nearly altogether in the peninsula in which the head office is situated. East of Ontario the bank has no branches. The Western branches outnumber the Ontario offices—the geographical centre of the system lying somewhere in Manitoba.

Standard Bank of Canada.

Province	1909	1910	1911
Ontario	80	83	90
Manitoba	1	1	1
Saskatchewan		7	9
Alberta		1	5
In Canada	81	92	105

The head office is in Toronto; and until quite recently the bank had no branches outside of the Province of Ontario. In 1910 it began to establish a system of branches in the prairie provinces; but as yet the Western offices comprise merely a small proportion of the whole. The number of its Ontario branches was considerably increased by its absorption of the Western Bank of Canada in 1909.

Eastern Townships Bank.

Province	1909	1910	1911
Quebec	78	82	86
Manitoba	1	1	1

Saskatchewan.....			1
Alberta.....	9	3	3
British Columbia.....	5	7	10
In Canada.....	87	93	101

The head office was in Sherbrooke, Quebec. The bank has been absorbed by the Canadian Bank of Commerce—the absorption going into effect at the beginning of March, 1912.

Banque d'Hochelaga.

Province	1909	1910	1911
Ontario.....	1	1	1
Quebec.....	28	29	30
Manitoba.....	4	4	4
Alberta.....	1	1	1
In Canada.....	34	35	36

The head office is in Montreal, and all but a few of the branches are in Quebec Province. The branches of the bank are located mostly in the French-Canadian settlements in Quebec and Manitoba.

La Banque Nationale.

Province	1909	1910	1911
Ontario.....	1	1	1
Quebec.....	47	50	77
In Canada.....	48	51	78
France	1	1	1
	49	52	79

The head office is in Quebec City, and the business of the bank is largely concentrated in Quebec Province. With the exception of the branch in Ottawa, there are no Canadian branches of this bank outside of Quebec. The Nationale was the first Canadian bank to establish a branch in Paris, France.

Quebec Bank.

Province	1909	1910	1911
Ontario.....	6	6	7
Quebec.....	18	21	21
Manitoba.....		1	1
Saskatchewan			5
Alberta.....		1	2
British Columbia.....			1
In Canada	24	29	37

The head office is in Quebec City and most of the branches as yet are in Quebec Province. The bank's entry into Western Canada was effected in 1910. In 1911 it began actively to develop its system of branches in the West.

Northern Crown Bank.

Province	1909	1910	1911
Ontario.....	26	24	25
Quebec.....	2	2	2
Manitoba.....	18	20	20
Saskatchewan.. ..	26	39	38
Alberta.....	6	6	6
British Columbia.....	8	12	12
In Canada.....	86	102	103

This is a consolidation of the Northern Bank which had head office in Winnipeg, and the Crown Bank of Canada which had head office in Toronto. The head office of the consolidated bank is in Winnipeg. The Crown's branches were almost exclusively in Ontario while the Northern was exclusively a Western institution. Since the amalgamation the tendency has been to develop the branch system in the West and to allow the system in Ontario to stand. Three quarters of the branches are in Western Canada.

Metropolitan Bank.

Province	1909	1910	1911
Ontario.....	34	34	38
Quebec.....	1		
In Canada.....	35	34	38

The head office is in Toronto, and the branches are confined altogether to the Province of Ontario.

Home Bank of Canada.

Province	1909	1910	1911
Ontario.....	20	22	24
Manitoba.....	4	6	6
Saskatchewan.....	2	3	4
British Columbia.....	1	1	1
In Canada.....	27	32	35

The head office is in Toronto. The bank was formerly known as the Home Savings and Loan Co. A bank charter was secured, and its operations under the name Home Bank of Canada commenced on January 2nd, 1906. Although the branches are as yet mostly in Ontario, the Bank is extending its system in the West.

Bank of New Brunswick.

Province	1909	1910	1911
Quebec.....			1
Nova Scotia.....	2	4	5
New Brunswick.....	14	18	19
Prince Edward Island....	4	4	4
In Canada.....	20	26	29

The head office is in St. John, New Brunswick, and for a long time its business was mostly in that city. Latterly it has been broadening its field. The branches in Prince Edward Island were acquired through the absorption of the Summerside Bank.

Banque Provinciale du Canada.

Province	1909	1910	1911
Ontario.....			2
Quebec.....	41	42	38
New Brunswick.....		2	2
In Canada.....	41	44	42

The head office is in Montreal and the branches are established in French-Canadian communities, nearly altogether in Quebec Province.

Sterling Bank of Canada.

Province	1909	1910	1911
Ontario.....	45	44	46
Quebec.....	1	1	1
Manitoba.....		3	3
In Canada.....	46	48	50

The head office is in Toronto. The bank opened its doors in 1906, and entered the Western Provinces in 1910.

Bank of Vancouver.

Province	1910	1911
British Columbia.....	7	14

The head office is in Vancouver; the doors were opened July 31st, 1910. As yet, the branches have not been extended beyond the limits of one province.

Weyburn Security Bank.

Province	1911
Saskatchewan	9

This was formerly a private bank. It secured a charter and commenced business as a chartered institution in January, 1911.

Banque Internationale du Canada.

Province	1911
Quebec ..	7

The greater part of the capital of this bank was furnished in France. It commenced in October, 1911.

By studying the foregoing tables, and applying the matter contained in them to the description of the various kinds of banking business supplied by each province, the student may learn something about the nature of the business carried on by the several banking institutions.

Summary of Branches.

Following is a summary of the bank branches in all the Canadian provinces and of branches outside the Dominion.

Province	1909	1910	1911
Ontario.....	948	952	1008
Quebec.....	337	351	396
Nova Scotia.....	106	109	111
New Brunswick.....	62	71	74
Prince Edward Island....	16	15	15
Manitoba	175	190	194
Saskatchewan.....	200	272	323
Alberta.....	154	189	216
British Columbia.....	130	172	214
In Canada.....	2128	2321	2551
United States.....	15	14	14
Europe.....	5	6	7
Newfoundland	6	10	12
West Indies.....	24	27	35
Mexico.....	1	2	2
Total.....	2179	2380	2621

In connection with the above table it is to be remembered that roughly one-sixth of the whole number of branches

are located in the ten cities standing at the head of the list in Canada as regards population, and roughly one-third of the whole number of branches are in cities and towns containing four or more banking offices. This leaves about two-thirds of the branches in villages and the smaller towns. These might fairly be classed as agricultural branches.

Distribution of Clerical Forces.

So far as the distribution of the clerical forces of the banks is concerned it may be said that perhaps half the total force, or more than half, is employed in the branches located in the cities and larger towns. The principal branches in the cities usually have large staffs, and many of the branches in the larger towns have forces numbering eight or more men. So, looking at the matter from this view-point, it appears that for a newly-enrolled bank employee the chances are approximately equal for service respectively in a country district on the one hand and in a city or large town on the other, and it is therefore necessary or desirable for the clerks to familiarize themselves with the work called for in both types of offices.

Large Increases in Western Provinces.

Before leaving the subject of the distribution of the bank branches, a few remarks upon the causes of the important increases scored by particular provinces will be in order. It will be remembered, of course, that, speaking generally, the banks are seeking profits when they establish new office. They plant their branches where they think they will secure new business that will pay them, and wherever the greatest volume of new business is offered, there will the movement to increase the number of banking offices be most in evidence. Judged by this test of new branches established it appears

that the banks have found that the Provinces of Saskatchewan and British Columbia are at present furnishing the greatest volume of new business. The increase in number of bank branches in those provinces in 1910 and 1911, according to the tables published by the Monetary Times, was 123 and 84 respectively, and Alberta comes next with 62. In the two years the number of British Columbia branches increased 66 per cent., the number of Saskatchewan branches increased $61\frac{1}{2}$ per cent., and the number of Alberta branches increased 40 per cent.

Increase of population is always an important factor in creating new business for the banks. The census of 1911 shows the population of the four Western Provinces to have increased 1,100,000 in the decade. This compares with an increase of roughly 700,000 in Eastern Canada. In the East, nearly the whole of the increase was secured by the larger cities and towns. The two cities, Montreal and Toronto, account for more than half the increase shown by Eastern Canada, while in the West, especially in Saskatchewan, there is shown a large increase of agricultural population. Thus in the East the banks have been active in increasing the number of their branches in the large cities because of the steady increase in the business supplied by those localities. Some institutions have also opened a considerable number of branches in the rural districts in order to attract deposits for use in the manufacturing centres and in the West. The branches in the Western cities have also been increased in number as the population increased, and a considerable number of new branches have been established to supply the needs of the many new towns and villages arising every year in the Western Provinces.

How Western Progress has Affected the Banks.

The immigration movement has proceeded in heavy volume during the past five or six years ; and in the same period the movement to establish branch banks in Western Canada has been very active. At the end of 1904, there were but 1145 branches in all Canada ; of these only 240, or 20 per cent. of the whole, were located west of lake Superior. In the seven years, 1904-1911, the number of branches in Western Canada nearly quadrupled. The offices in Eastern Canada increased about 80 per cent. in the same period. The rapid filling up of the western plains, besides causing this great increase in Western branch banks has also played an important part in building up the industrial centres of Eastern Canada. The Eastern factories and plants have been expanding, and new industrial concerns have been locating at suitable points in Ontario and Quebec, largely because of the increased markets for their output provided by Western Canada. Thus it is seen that the development and growth of Western Canada played an important part in bringing about increase of banking offices in the East as well as in the West.

EXAMINATION QUESTIONS

BANK GEOGRAPHY

LESSON 1.

1. (a) What are the legal obstacles in the way of the establishment of branches in Canada by British or foreign banks ?

(b) In what manner might a British or foreign bank, or an association of British or foreign capitalists, obtain the right to operate banking offices in Canada ?

2. Explain in what manner the branches of the Bank of Montreal are distributed ; and tell about where the centre of its branch system would lie.

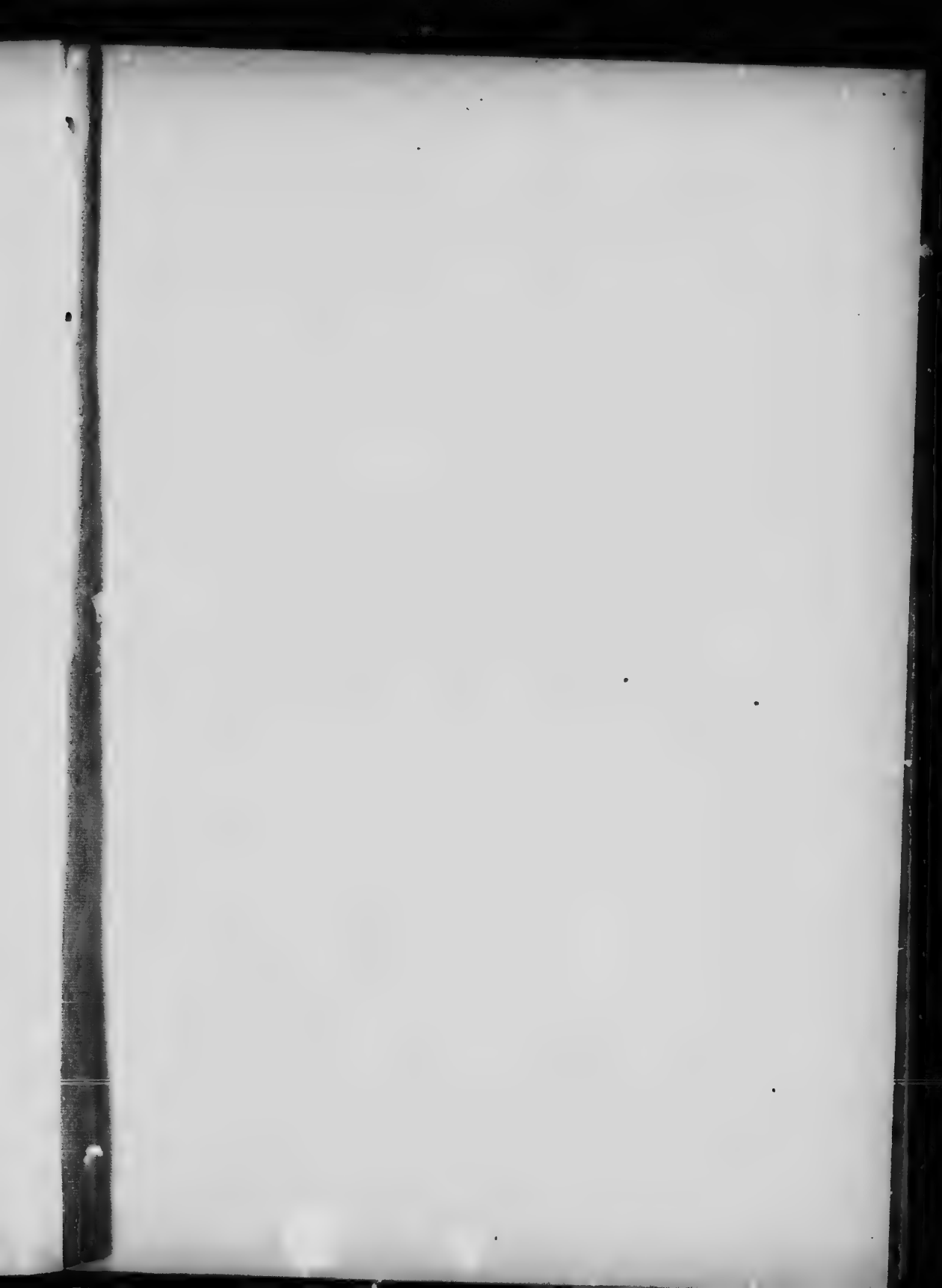
3. Explain the distribution of branches of the Canadian Bank or Commerce as at the end of 1911 ; and tell where the centre of its branch system then lay.

4. Explain the distribution of branches of the Royal Bank of Canada, prior to its absorption of the Traders Bank of Canada ; and tell where the centre of its branch system lies.

5. Mention the names of Canadian banks now in business, the branch systems of which have been noticeably affected or augmented by amalgamation or absorptions ; and tell in what manner the distribution of their branches has been affected.

6. Make a list of all chartered banks in active business, reporting to the Dominion Government at the end of 1911 ; and in the case of each bank, tell what provinces or regions have received its special attention in the matter of branch establishment.

7. Name the Canadian banks having branches or agencies outside Canada, as at the end of 1911, and tell in each case where the outside branches or agencies were located.
8. Tell roundly in what proportion the branches of the Canadian banks, taken as a whole, are divided between the cities and the country districts.
9. Enumerate the various considerations which the executive officers of a bank may have in mind when deliberating upon the establishment of a branch at a new point.
10. Give the principal reasons why the Provinces of Saskatchewan, Alberta and British Columbia have received an especially large share of the new branches established in recent years.



BANK GEOGRAPHY

LESSON 2



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TORONTO, CANADA.**

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BANK GEOGRAPHY

LESSON 2.

The Railway Systems.



THE first lesson described how the banking machinery of Canada is placed. The various systems of branch banks may be regarded as comprising on the whole a vast system of pipes or ducts by which the circulation of the blood of the commercial organism is facilitated. As aids to commerce and industry however, the banks should be considered in connection with the railroad and other transportation systems. By means of the transportation systems, goods and merchandise are physically transferred from the place of production or of import to the markets; by means of the banking machinery the transfer of capital or money necessitated by the transfer of the goods and merchandise is effected. Thus the banking system supplements the work of the transportation system; and it will be well to undertake a brief study of the principal railway systems operating in Canada. The four principal systems are the Intercolonial, the Grand Trunk, the Canadian Pacific and the Canadian Northern.

The Intercolonial

The Intercolonial is owned and operated by the Dominion Government. It follows a north-easterly course along the south shore of the St. Lawrence River to Rimouski, then turns inland, and after skirting the southern shore of Chaleur Bay, it strikes southwards through the eastern part of New Brunswick, enters Nova Scotia near Amherst, and proceeds to the port of Halifax. It also has a branch leaving the main line near Oxford and running through the northern

part of Nova Scotia to North Sydney. The two lines are again connected by a branch running from Truro on the main line to a junction near New Glasgow. And the Prince Edward Island Railway running from end to end of Prince Edward Island—from Souris to Tignish—is a part of the Government system worked in connection with the Intercolonial. The Intercolonial has two important branches in New Brunswick, one of which connects St. John with Moncton. This system is of course directed from Ottawa—the Minister of Railways and Canals being responsible for its operations. The new Grand Trunk Pacific Company is to have running rights over the Intercolonial tracks.

Grand Trunk and Grand Trunk Pacific

The Grand Trunk system centers at Montreal. The stocks and securities representing the ownerships of the property are nearly altogether held in Great Britain. Practically all of the capital used in building the road and in providing terminals, extensions and equipment, has been secured in England. The board of directors is domiciled in London. Although there have been, on various occasions, among the shareholders, agitations for the removal of the board to Canada, they have not as yet secured the result aimed at. However, the traffic operations of the company and its building program, are directed from the general offices in Montreal. The Grand Trunk Pacific Company which may be regarded as an offspring of the Grand Trunk, is more distinctly Canadian. This company was incorporated by Act of Parliament in 1903. Its authorized capital stock was placed at \$45,000,000, of which \$20,000,000 might be issued as preferred stock. The parent Grand Trunk is required to purchase all of the common stock, except shares held by the directors; and it must retain the majority of the stock while

the agreement between the Grand Trunk Pacific and the Dominion Government is in force. Thus the control of the Grand Trunk Pacific lies, in the last instance, with the London board of the Grand Trunk. But the board of the Grand Trunk Pacific has eleven Canadian members out of sixteen. Five of these Canadians are officials of the Grand Trunk Railway ; the remaining six are representative business men of Montreal, Toronto and Ottawa.

The National Transcontinental

The line of railway spoken of as the Grand Trunk Pacific consists of two divisions. The Eastern Division, beginning at Moncton, in New Brunswick, and ending at Winnipeg, in Manitoba, is being built by the Dominion Government. The Canadian Government defrays the whole cost of construction. This cost is to be capitalized ; and, after the first seven years of operation, if the revenues of the division are sufficient for the purpose, the Grand Trunk Pacific which leases the line is to pay an annual rental amounting to three per cent. per annum on the cost thus capitalized. If the revenue from the division does not suffice to yield three per cent. on the capital cost at the end of seven years, the grand Trunk Pacific is to pay as rental such revenue as the division earns, the difference between the rental thus paid and the full three per cent. to be added to the capital cost for a further period of three years. At the end of the first ten years of operation, the company must pay the full three per cent. per annum.

The Grand Trunk Pacific is also under obligation to provide the rolling stock and other equipment.

The Western Division begins at Winnipeg and is to run to Prince Rupert, in British Columbia, on the Pacific Coast near the southern boundary of Alaska. This Western Division is to be constructed by the Grand Trunk Pacific Co.

The Dominion lends its aid through guaranteeing first mortgage bonds of the company to the extent of \$13,000 per mile on the prairie section, and through guaranteeing the company's bonds up to three-quarters of whatever the cost per mile may be on the mountain section. The prairie section extends from Winnipeg to Edmonton, and the mountain section from Edmonton to Prince Rupert. Thus the responsibility for the whole undertaking rests upon the Grand Trunk. The mileage embraced in the main line—from Moncton to Prince Rupert—will be approximately 3600 miles, and it is intended to construct roughly 5000 miles of branch lines. Most of these branches are to be in Western Canada.

The Grand Trunk Main Line

The main line of the Grand Trunk runs from Chicago to Montreal, entering Canada at Sarnia. After passing through Hamilton it proceeds to Toronto, thence skirting the shores of Lake Ontario and the St. Lawrence River until Montreal is reached. The principal ocean port during the winter months is at present Portland, Maine; Montreal is the summer port. On leaving Montreal the line crosses the St. Lawrence and runs easterly through the Eastern Townships to Richmond. From there it strikes in a southerly direction to Portland, in its course passing through the States of Vermont, New Hampshire and Maine. There are several branch lines in the Eastern Townships converging on Montreal. From these branch lines there is another route, via the Central Vermont Railway, to Connecticut. The Grand Trunk also has arrangements under way for an entry into Providence, Rhode Island.

The system of branch lines in Ontario is extensive, especially in the peninsula between Lakes Ontario and Huron. Included in the Grand Trunk's system is the

Canada Atlantic Railway, acquired a few years ago from J. R. Booth of Ottawa. This runs from Parry Sound to Ottawa connecting there with the Grand Trunk system.

By means of the Toronto to North Bay line a connection exists with the main transcontinental line of the Canadian Pacific. The Ontario system is to be joined to the main line of the new National Transcontinental or Grand Trunk Pacific, by means of three branches or connections. One of these junctions will be effected through using the Temiskaming and Northern Ontario Railway owned by the Ontario Government from North Bay to Cochrane. The Grand Trunk has lately acquired running rights over the Temiskaming and Northern Ontario. One branch line is to strike northwest from Orillia, reaching the transcontinental at a point farther west than the junction of the T. and N. O. with the G. T. P. at Cochrane, and another branch is to run northwesterly from Ottawa. Finally the Lake Superior Branch connects the main transcontinental line with Fort William and Port Arthur. The three last named branches are Grand Trunk Pacific branches.

The Ontario branches of the Grand Trunk radiate from Toronto, Hamilton, London, Port Hope, Peterboro. From the more westerly centres in Ontario, lines run to Orillia, Meaford, Owen Sound, Kincardine, Goderich, Windsor, St. Catharines, Niagara Falls, Port Colborne.

Canadian Pacific

In the case of the Canadian Pacific the whole executive control centres in Montreal. Eight of the fifteen directors are Montrealers ; two reside in Toronto and two in London, England ; one resides in Ottawa, one in Winnipeg and one in Victoria, British Columbia. The board of directors meets in Montreal, and the general offices are in that city. The

capital stock of the company is widely scattered. British investors place a high value upon it; much of it is held in England, Germany, Holland, Belgium, and the United States also hold a large amount. And naturally a considerable amount is held by Canadian investors.

The main line of the system runs from Montreal westwards to Sudbury, thence along the north shore of Lake Superior to Fort William, then northwesterly to Winnipeg. From Winnipeg the course is almost due west to Medicine Hat—through Brandon, Regina, Moose Jaw. The line then strikes northwest through Calgary to Donald in British Columbia, from which point its direction is southwesterly to Vancouver, the Pacific terminus. The main line traverses the Rocky Mountains through the Kicking Horse Pass. The length of the main line is 2909 miles.

The Eastern Branches

In Eastern Canada there is a line running from Montreal to St. John, New Brunswick, through the Eastern Townships and New Brunswick. This comprises several lines leased by the Canadian Pacific, and a portion of fifty six miles of the Maine Central Railway, over which running rights have been secured. St. John is the winter ocean port for the system, and Montreal and Quebec the summer ports.

The Canadian Pacific operates under lease the various branches of the New Brunswick Railway, in the western part of that province. It has recently secured control of the Dominion Atlantic Railway, which runs from Yarmouth to Windsor in Nova Scotia and operates under lease the Windsor Branch of the Intercolonial, running from Windsor to Halifax. The lines in New Brunswick connect with the Dominion Atlantic and with the port of Halifax by means of the Intercolonial.

Then there is the Quebec Section of the system comprising a line running along the north shore of the St. Lawrence River from Quebec City to a junction near Montreal.

An important Eastern branch is the line from Montreal to Toronto passing through Smith's Falls, Perth, and Peterboro, and comprising part of the Ontario and Quebec Railway, a leased line. This line extends to Windsor, from which point the Wabash Railroad is used as a connection to reach Chicago.

The Toronto-Sudbury line, recently built, runs from Bolton, Ontario, to Romford Junction on the main line, a short distance east of Sudbury. Before the construction of this line the Canadian Pacific was dependent upon the Grand Trunk line to North Bay for getting its westward bound passenger and freight traffic, emanating from Toronto and Western Ontario, to the main line by a direct route.

Other important branches in Ontario are: the Toronto to Owen Sound line—connecting with the steamships on the Upper Lakes (the Upper Lakes steamships are to run, hereafter, to Port McNicoll); the Guelph to Goderich line; the Kingston and Pembroke Railway; the Brockville-Ottawa branch; and the Ottawa-Prescott line. Another important branch—Bethany to Port McNicoll on Georgian Bay is under construction. This last named line is largely for the purpose of shortening the grain route from the west to Montreal. Since the Grand Trunk Pacific scheme was broached, the Canadian Pacific has entered upon an active policy of construction in Ontario.

The Western Lines

However the bulk of the Canadian Pacific system is in Western Canada. After Winnipeg is reached, on the way west, the branches are numerous. The most important branches are: the Souris Branch and extensions; the Man-

itoba Southwestern Colonization Railway, serving Manitou, Deloraine, Carman, Glenboro; the Manitoba and Northwestern Railway and its extensions, which provide a line from Portage-la-Prairie to Wetaskiwin on the Calgary and Edmonton Railway; the Crow's Nest Pass Line, which crosses the Rockies and serves the mines in Southern Alberta and British Columbia; the Calgary and Edmonton Railway, running from Macleod to Edmonton and crossing the main line at Calgary, Columbia and Kootenay and the Columbia and Western serving the Rossland, Trail, Nelson and Kootenay district.

The important branches are connected by various links, and there are numerous branches of lesser consequence in the four western provinces. One which has developed rapidly in importance since the beginning of the heavy movement of American farmers into Saskatchewan, is the Portal Branch, running from Portal on the United States boundary to Pasqua, a junction on the main line near Moose Jaw.

The United States Lines and the Steamships

The connection at Portal is with the Minneapolis, St. Paul and Sault Ste Marie Railway, a system in the United States embracing 3,769 miles of track which is controlled by the Canadian Pacific by means of stock ownership. This American system was utilized by the Canadian Pacific when it recently secured control of the Wisconsin Central Railway. Acting through the Minneapolis, St. Paul and Sault Ste. Marie, the Canadian Pacific acquired a majority of Wisconsin Central stock. The Minneapolis, St. Paul and Sault Ste. Marie, commonly called the Soo Line, has an extensive system of lines in North Dakota, Minnesota and Wisconsin. The network of main line and branches connects with the

Canadian Pacific proper at Portal as mentioned above, and at Emerson in Manitoba ; connection is also made by means of the line running through Northern Michigan to Sault Ste. Marie, which joins the main line of the Canadian Pacific at Sudbury. The Duluth, South Shore and Atlantic is another United States system controlled by the Canadian Pacific through stock ownership. This system embraces 611 miles of track running from Duluth to Sault Ste. Marie.

The Canadian Pacific steamship lines play an essential part in the company's scheme of transportation. Its fleet now consists of about seventy vessels. The vessels in the Atlantic service comprise the principal fleet unit. They run to Liverpool, from Quebec and Montreal in summer, and from Halifax and St. John in winter. The vessels in the Pacific service run from Vancouver to Yokohama and Hong Kong, and from Vancouver to Australia and New Zealand. There is also a service from Montreal and St. John to the Antipodes ; and a service between Boston, Yarmouth, and St. John.

Then the service on the Upper Lakes—from Port McNicoll through Huron and Superior to Fort William ; the British Columbia lake and river service ; and the Pacific Coast service, the last mentioned comprising a fleet of vessels running from Vancouver to Victoria and Seattle, to various ports on Vancouver Island, and to ports along the coast as far north as Skagway. •

The Canadian Northern

The Canadian Northern is the youngest of the great railway systems of the Dominion. The Company has a board of directors consisting of but five members. Four of them are residents of Toronto while the fifth is domiciled in London, England. The stock ownership is understood to

be largely concentrated in the hands of the president, Sir William Mackenzie and the vice president, Sir Donald Mann.

There is one striking peculiarity about the company's financing. As yet there has been no public issue of common stock. Construction programs, and the acquisition of equipment, terminals and auxiliary lines have been financed altogether by means of issues of bonds and debenture stock.

The seat of executive power and the general offices are located in Toronto. The main part of the system is as yet in Manitoba and Saskatchewan—those two provinces contained 3065 miles out of the total mileage of 3731 miles as at June 30th. 1911.

Beginning at Port Arthur the railway strikes west to Winnipeg, passing through a corner of the State of Minnesota on the way. From Winnipeg the line continues west to Portage-la-Prairie at which point two routes are available for continuing to Edmonton. One proceeds in a southwesterly direction, through Brandon, and striking north-west at Maryfield passes through Regina and Saskatoon to a junction near the latter place with the other line which strikes north-west from Portage-la-Prairie and passes through Dauphin, Gilbert Plains and North Battleford on the way to Edmonton. The last named, northerly route, is the main line of the system.

From Edmonton, construction is proceeding on the mileage necessary to reach the Pacific Coast at Vancouver.

Among the principal western branches are: the line from Vegreville, on the main line, south towards Calgary; a branch from Saskatoon southwesterly which will, when completed, join the Calgary-Vegreville branch a short distance east of Calgary; branches running to Prince Albert from points on the main line; the branch to Le Pas, which it is proposed to extend to Port Nelson on Hudson's Bay;

the branch from Winnipeg to Emerson on the United States boundary; that from Morris, (on the Winnipeg-Emerson line) to Adelpha, in Southern Manitoba. This line also branches to Brandon.

There are various other branches in Manitoba and Saskatchewan; and extensive projects are under way for construction of new mileage in Saskatchewan, Alberta, and British Columbia.

The Eastern Lines

Construction is proceeding on the link that is to connect the western system of the Canadian Northern with its eastern lines. The company a short time ago disposed of about \$35,000,000 of bonds guaranteed by the Dominion, the proceeds of which are to be used in constructing 1016 miles of track from Port Arthur to Montreal. The line is to run northeast from Port Arthur past the southern shore of Lake Nipigon; it then turns southeast till it joins, north of Sudbury, the line running from Toronto to that district. The remainder of the Port Arthur-Montreal line runs east, from the junction north of Sudbury—through North Bay and Pembroke—to Ottawa, where it joins the railway already constructed—along the Ottawa and St. Lawrence Rivers to Quebec and to Roberval on Lake St. John and on to Chicoutimi—this line having branch connection with Montreal. Plans are under way for the acquisition of extensive terminals in Montreal, a tunnel under Mount Royal being one of the features of these plans.

The Canadian Northern controls the Halifax and South-western Railway, in Nova Scotia—a line running from Halifax to a point near Lunenburg, whence it branches off in the one case along the south shore to Yarmouth, and in the other, northerly to Middleton on the Bay of Fundy.

And there is a small railway—Inverness Railway and Coal Co.—running from Port Tupper to Inverness in Cape Breton, which also belongs to the Canadian Northern system.

The Canadian Northern controls the Central Ontario Railway which runs from Picton through Prince Edward County to Trenton, thence northerly into the hinterland. It will be seen from this description that the several divisions are as yet disjointed, except in Manitoba and Saskatchewan. There is a considerable amount of construction work to be accomplished before the Canadian Northern becomes a transcontinental line with terminals on the Atlantic and on the Pacific.

The company also has a line of steamships giving a service between Montreal and England.

Other Railway Systems in Ontario

Apart from the four railway systems above referred to there are a number of smaller railways most of which are confined to particular districts. Among the more important Canadian systems in Ontario may be mentioned the following. The Temiskaming and Northern Ontario is a line serving the mining and agricultural districts of New and Northern Ontario. It runs north from North Bay. It was constructed and is owned by the Province of Ontario, and it is being pushed farther north, the intention being to extend it ultimately to Hudson's Bay.

The Bay of Quinte runs from Napanee north-easterly and then north-westerly in Addington County.

The Algoma Central and Hudson Bay Railway, owned and constructed by the Lake Superior Corporation, runs north from Sault Ste. Marie to a junction with the Canadian Pacific. It is largely used for bringing iron ore and other products from the mines to the corporation's plant at the

Soo. It is the intention of the owners eventually to continue the line north to a junction with the Grand Trunk Pacific. The Toronto Hamilton and Buffalo in its course describes a semi-circle. From Waterford on the Michigan Central, it runs north-easterly through Brantford and on to Hamilton, then south-easterly through the Niagara Peninsula to Welland. This line is owned jointly by the New York Central and the Canadian Pacific.

Two American railways have an extensive mileage in Ontario. The Michigan Central, which forms a part of the New York Central system, enters at Niagara Falls and at Fort Erie, and runs west to Windsor whence it crosses to Detroit and proceeds on its way to Chicago. The Pere Marquette runs from St. Thomas south-west along the shore of Lake Erie, branching off to Windsor and to Sarnia, thence passing into the United States.

Other Railways in Quebec and Maritime Provinces

Three of the more important other systems in Quebec are the Quebec and Lake St. John, Quebec Central, and the Quebec Southern. The Quebec and Lake St. John runs from Quebec City to the Lake St. John district; the Quebec Central serves the counties of Wolfe, Megantic, Beauce and Dorchester, running from Levis southerly and branching off in three directions; the Quebec Southern runs from Longueuil along the south shore of the St. Lawrence to Sorel.

Then there are a number of other railway lines. The Temiscouata runs through the county of that name from Riviere du Loup to Edmundston in New Brunswick; the Atlantic and Lake Superior was constructed to serve the Peninsula of Gaspé; the New Brunswick Coal and Railway, the New Brunswick Southern, and the Caraquet Railway are all in the Province of New Brunswick.

The Boston and Maine, Maine Central, and St. Lawrence and Adirondack—all American roads—have a small mileage in Quebec Province. There are also a number of small railway lines built by lumber companies, mining companies and industrial corporations to further their business and purposes.

Other Railways in Western Canada

In Western Canada the most important railway system, apart from those of the three big Canadian systems, is the Great Northern—one of the American systems directed by James J. Hill. The Great Northern enters Canada at four different points in British Columbia. One line at the coast runs to Vancouver and New Westminster; another enters at Grand Forks; another taps the Rossland and Nelson district; and another runs to the coal mining territory in the Fernie district. The Kaslo and Slocan is an inland branch of the same system finding its outlet via the Kootenay Lakes. This last mentioned line is however to be taken over by the Canadian Pacific.

The Great Northern is said to be planning further extensions into Western Canada from its big system in the North-Western and Pacific States.

The Alberta Railway and Irrigation Company's line has been taken, lately, into the Canadian Pacific system. This runs from Lethbridge to Great Falls in Montana. The White Pass and Yukon Railway runs from Skagway, Alaska, to Whitehorse. It furnishes the means of ingress to and egress from the Yukon gold district.

RECEIPTS OF THE RAILWAYS

At the beginning of this lesson it was mentioned that in several departments of their work the railways and banks are closely connected. The railways deal in transportation, the banks deal in credit. In many transactions transportation and credit are mixed together. Railway bills of lading form the main security for many important advances made by the banks. The banks lend freely on commodities of various kinds because they know the railways are at hand ready to transport the commodities to a market.

The railway receipts or collections amount in the course of a year to very large totals. For example the gross traffic receipts of the Canadian Pacific in the calendar year 1911, were over \$108,000,000; the gross receipts of the Grand Trunk were over \$48,000,000; and the receipts of the Canadian Northern were \$18,000,000. The traffic receipts of the three, not including the Grand Trunk Pacific, exceeded \$174,000,000—an average of nearly \$600,000 per working day. These collections or receipts are necessarily passed into the banks. They affect the bank clearings quite importantly at Montreal, Toronto, Winnipeg and Vancouver. The banks where the largest accounts are carried are obliged to have several tellers, whose work consists entirely of receiving and handling the railway deposits. All station agents are instructed to forward their receipts to the principal financial centre for their division or section of the country. These remittances are often made in cash—Dominion and bank notes; but the increasing demand for currency has caused the bank branches to endeavor to make arrangements with the local railway agents and station masters to have them turn the cash receipts into the banks in exchange for drafts on the centres to which remittance is to be made.

Thus every day a large number of parcels of currency and bank drafts are received at the central railway office. These are deposited daily in the bank.

Revenue from Grain Traffic

Heavy collections of freight revenues are made in Winnipeg direct from the banks on grain shipped from the railway elevators at Fort William and Port Arthur. The freight on grain shipments from interior points in Manitoba and Saskatchewan to the lake ports is not collected at the points where shipment is made. The shipper loads a car or cars and gets his bill of lading, but the freight dues remain as a charge or lien against the grain. The grain is inspected at Winnipeg and weighed on arrival at the lake terminal. Each bill of lading will then become a part of a set of documents all referring to the same car number. One of these documents establishes the grade of the grain; another gives the exact number of bushels of contents and the exact amount of freight charges due. When the grain is to be shipped down the lakes, or by the all-rail route to the East, the shipper knows that the railway company will not release it until the freight charges are paid. Suppose the shipment amounts to 24,000 bushels, represented by twenty four bills of lading for 1000 bushels each. The shipper will have in all probability, a large batch of bills of lading lodged at his bank in Winnipeg as security for his loans. He selects twenty four of these bills and instructs the bank to forward them to Fort William and pay to the railway company the freight and other charges specified as due against the grain represented by these bills. The bank then pays the freight charges and elevator dues to the railway company in a lump sum; and the grain is released. During the season between 1st September and 1st December in every year, and again

in the spring when lake navigation opens, the amount of railway revenue thus collected in Winnipeg, Fort William and Port Arthur is very large.

Proceeds of Stock Issues

When the railway company has in contemplation important construction work, or the acquisition of new rolling stock or other property of that nature, it will proceed to supply itself with the funds necessary for the purpose. If the money is to come through the issue of new ordinary or common stock, the usual practice is to offer to the existing body of stockholders, the right or privilege of subscribing to the new issue of stock. To facilitate the distribution of the new stock, the issue will represent a certain even proportion of the amount of stock outstanding. Thus at the close of 1911 the Canadian Pacific had outstanding \$180,000,000 common stock. An issue of new stock was made amounting to \$18,000,000, or exactly one-tenth of the stock already out. Every ten shares of old stock were given the right to take one share of new stock at \$150 (the market price of one share of the old stock being from \$230 to \$240). A shareholder with exactly ten shares at his credit would be entitled to receive an additional share on payment of \$150. He would then have eleven shares; and if the price of the stock remained at \$240 per share on completion of the transaction, he would have received for \$150 something which was saleable in the market for \$240. In other words he gets a present or bonus of \$90.

The payments made by the stockholders on account of the new stock taken by them are passed into the company's bank account and disbursed as the need arises.

Issues of Bonds and other Securities

When bonds are issued, or preferred stock limited to a certain per cent. of dividend or interest, the stockholders

may not be appealed to. The securities may be offered in the investment market in London at such a price as the bankers in charge of the issue consider will ensure a good sale. For these issues underwriting syndicates are often employed—the syndicate contracting to take all bonds, or stock, not taken by the investment public at the closing of the subscription lists. The London branches of the Canadian banks carrying the principal portion of the railway accounts may have charge of the issue in London. At any rate these branches participate in, and assist at, the flotation. The proceeds of such an issue are of course paid into the London branch of the Canadian bank for credit of the railway company. The London branch will, by book entries, transfer the balance to Montreal or Toronto when the railway company so instructs. However, while the balance can be thus transferred to Canada by a mere book entry, the bank bears in mind the fact that the railway company will be disbursing the funds in Canada perhaps in a short time. If the bank does nothing more than pass entries from its London Branch to its Montreal Branch, it will find its cash reserves in Canada declining, while its funds in London are much larger than is necessary. So the bank supplements the transfer of the book credit by transferring actual funds from England to America. The New York Agents of the bank draw bills of exchange on London and sell them in the New York market. This suffices to bring the funds to New York. A certain proportion may be left there inasmuch as when the railway company disburses the proceeds of its issue of securities, the bank will be required to give exchange on New York for some of the withdrawals. In order to bring a portion of the funds from New York to Canada the bank will sell in Montreal and Toronto its drafts on its New York correspondents, or it will import United States gold coin.

Other Sources of Revenue

The railway company has certain other revenue receipts besides its traffic receipts. One of them is the income from securities held by the company. Thus, in its balance sheet June 30th., 1911 the Canadian Pacific shows \$10,088,734 "temporarily invested in Government securities." And on the same date the holding of other securities appear as \$75,979,653. In the case of these securities, the interest and dividends are collected as they mature and passed into the bank accounts along with the other revenues. It should be mentioned that some of the acquired securities were bought for the purpose of securing control of other railway lines, and in some cases little or no direct income is received from the securities. The interest on deferred payments on land sold by the railway constitutes another item of revenue. In the case of the Canadian Pacific this is collected largely by the land department at Winnipeg. Proceeds of sales of land are not treated as revenue, but are credited to a capital account in the ledgers.

The Canadian Pacific and the Canadian Northern both derive a considerable income from the steamship fleets. The earnings from this source pass into the bank accounts with the traffic receipts derived from the rail lines.

The Disbursements

The disbursements of the railways are, of course, nearly altogether effected by means of cheques on their bankers. The Canadian Pacific accounts are kept at the Bank of Montreal; the Canadian Northern accounts at the Canadian Bank of Commerce; and the Grand Trunk accounts are divided among several banks—the Bank of Montreal; the Bank of Toronto and the Merchants Bank of Canada all having a share. Payment of wages necessitate

heavy disbursements. These are paid by cheque, arrangements being made with various banks to pay cheques at par at all branches. The pay cheques are a part of the working expenses.

Then heavy disbursements are made on construction account—to pay for the new railway mileage acquired or constructed each year, the terminal property built or enlarged. These are capital expenditures. Payments by the railway for account of contractors are usually made to the contractor's bankers who are accustomed to advance funds to the contractors on assignments of the contracts.

Steel rails and other iron and steel goods are purchased largely from the Canadian steel companies—the duties on imports preventing the railway companies from buying many lines abroad. The railway car shops and repair shops occasion heavy disbursements on account of wages, iron and steel and other supplies purchased for them. All these expenditures and various others are made by means of cheques on the banks or by means of funds drawn from the banks.

Working Expenses

The first or preferential charge against the revenues of the railway companies is comprised under the head of working expenses, some of which have been referred to above.

Charges for keeping the track and equipment in effective condition, for the provision of fuel and motive power, and for renewals of existing property are usually included under working expenses. New construction work, additions to mileage, equipment, or terminal facilities, are usually charged to capital account; and the necessary funds procured through issuing new capital stock or borrowing on long term bonds. It should be said here that when the finances of a railway company are in a very prosperous con-

dition it may provide out of its current earnings or revenue a considerable amount of the funds expended on additions and improvements instead of charging them to capital account and issuing bonds or stock against them. This policy of course serves to conceal a part of the earning power of the railroad ; it benefits the stockholders through keeping down the amount of new stock entitled to share in the profits, and through keeping down the amount of fixed charges or interest on bonded debt which must be paid before the stockholders can participate in the profits.

Fixed Charges and Dividend Payments

After the working expenses have been met and after provision has been made for such expenditures upon additions and improvements as have been charged against current earnings, the balance of the revenues is applicable for meeting first the fixed charges and then the dividends to stockholders. The services of the banks are availed of for both purposes.

As the bonds and debentures issued by the companies are practically all held in Europe, largely in the United Kingdom, the interest on them must be remitted to London. The company first buys from its bankers the sterling exchange necessary to meet the interest and dividends payable in Europe. As fixed charges and dividends are both payable out of the current revenues of the company, the funds are taken from the balances accumulating from the traffic operations and from the other income.

So far as the bonds are concerned each bond will be domiciled payable at the company's bankers in London. Each coupon is also payable at the same office. A short time prior to the maturity of each coupon, the company simply deposits with its London bankers, sterling exchange sufficient to meet all coupons due at this maturity. Each

British or foreign holder collects his coupon or coupons through his own banker who presents the documents at the London bank where they are payable.

Payments of stock dividends are made by cheque. The company transfers to a special dividend account sufficient funds to pay the dividend to all the stock appearing in the register; and cheques are mailed to every stockholder. When there are stock registers at London and New York as well as at Montreal or Toronto, the total amount of dividends payable to the stock appearing in the London register is remitted to the London bankers, and cheques are issued in London by the company's officials. In paying the dividends to stockholders whose names appear in the New York register, the same process is followed, except that the funds are remitted to New York and the cheques are issued in that city.

EXAMINATION QUESTIONS

BANK GEOGRAPHY

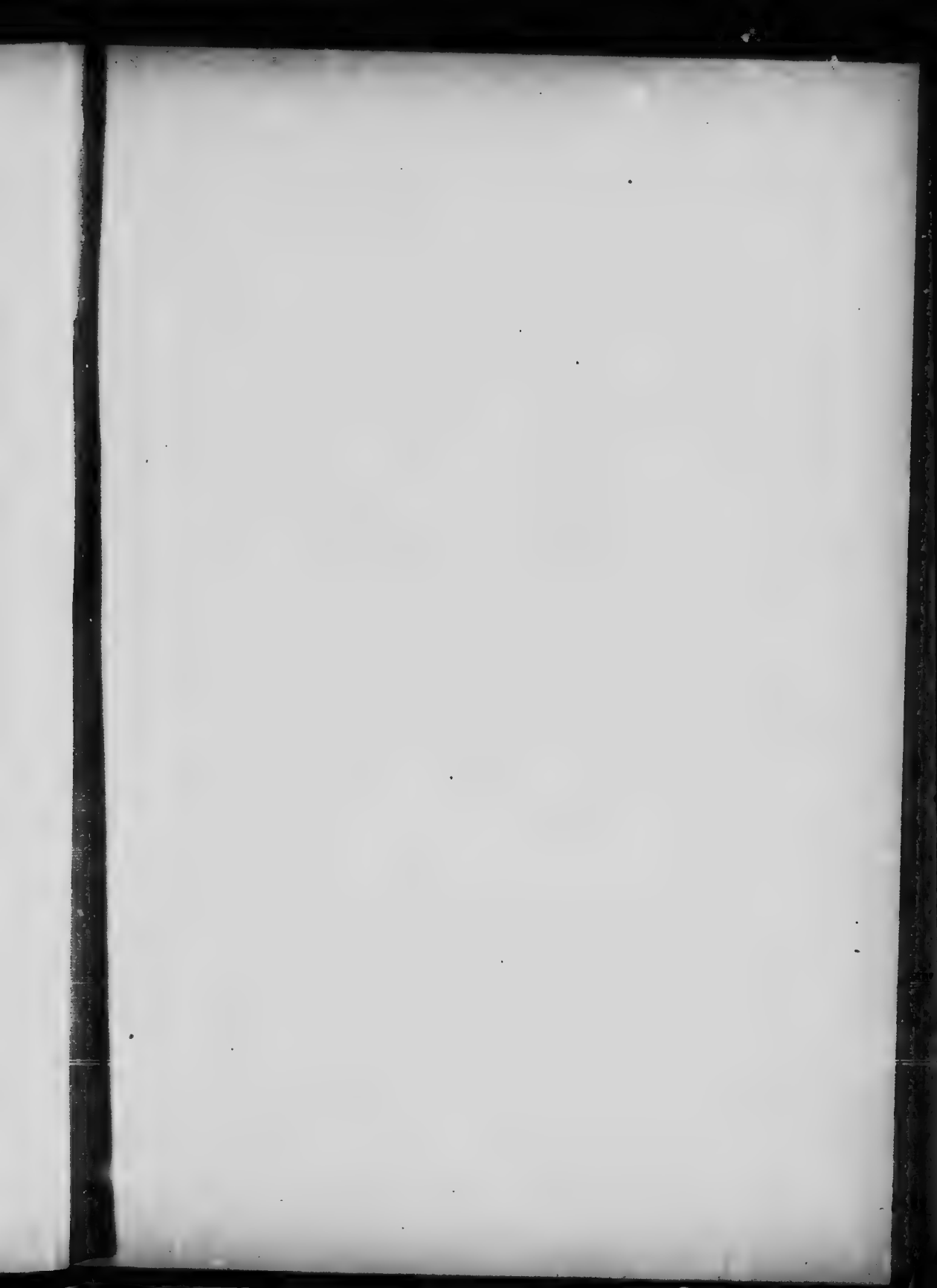
LESSON 2.

1. Describe the course taken by the Intercolonial Railway and tell what territory it serves.
2. Explain where the main line, and principal branches of the Grand Trunk Railway are located.
3. (a) Give the outlines of the financial plan upon which the Grand Trunk Pacific or National Transcontinental is being constructed.
(b) Trace the route of the Grand Trunk Pacific from the Eastern terminus to the Pacific Ocean; and explain how it is to be connected with the Grand Trunk System in Ontario.
4. Trace the route of the main line of the Canadian Pacific; and name a few of its most important branches, telling what territories they serve.
5. (a) What railways in United States are owned or controlled by the Canadian Pacific; and tell what territories they serve.
(b) Describe the principal steamship services provided by the Canadian Pacific.
6. Describe the Canadian Northern system of railway lines.
7. Taking each one of the four railway systems above referred to, tell where the stock ownership lies, how, and from where the executive control and management are directed

8. What are the various sources from whence a railway company derives the funds comprising the deposits made with its bankers?

9. Give the principal items comprising the disbursements made by a railway company through drawing upon its various accounts at the bank.

10. Explain how the functions of the bank and the functions of the railway or transportation company may intermingle.



BANK GEOGRAPHY

LESSON 3



.. BY ..

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.. THE ..

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BANK GEOGRAPHY

LESSON 3.

Branch Distribution and Provincial Taxes.

At the end of 1911 the bank branches in Ontario were distributed as follows :

Standard Bank of Canada.....	90	Branches
Traders Bank of Canada.....	90	"
Union Bank of Canada.....	82	"
Merchants Bank of Canada.....	71	"
Canadian Bank of Commerce.....	66	"
Imperial Bank of Canada.....	65	"
Bank of Toronto.....	61	"
Bank of Ottawa.....	59	"
Bank of Hamilton.....	58	"
Dominion Bank.....	53	"
Bank of Montreal.....	51	"
Molsons Bank.....	46	"
Sterling Bank of Canada.....	46	"
Metropolitan Bank.....	38	"
Royal Bank of Canada.....	31	"
Northern Crown Bank.....	25	"
Home Bank of Canada.....	24	"
Bank of Nova Scotia.....	22	"
Bank of British North America.....	19	"
Quebec Bank.....	7	"
Banque Provinciale.....	2	"
Banque Nationale.....	1	"
Banque d'Hochelaga.....	1	"

1,008

The Government of Ontario taxes the banks operating in the province, annually as follows : One-tenth of one per cent. on the paid up capital stock up to \$2,000,000, and in addition \$25 for every \$100,000, or fraction thereof, of paid up capital in excess of \$2,000,000, up to \$6,000,000 ; for

the head office in Ontario, \$100, for each additional office in Ontario, \$25.

It is provided that the Lieutenant Governor may reduce the tax in case the head office of the bank is not in Ontario, if it has not more than five agencies or branches in the province and if it employs within Ontario only a part of its paid up capital. But in any case the tax is not to be less than one-tenth of one per cent. upon one half the paid-up capital.

Dominion and Provincial Government Business.

Taking up first the matter of government business—Dominion and Provincial—it may be said that the banking business of the Dominion Government is transacted on much the same lines in all the provinces. Though the Bank of Montreal is generally said to be the Government banker, the statement is not strictly correct. While the bulk of the public money is handled by the Bank of Montreal, nearly every one of the other chartered banks has a share in the collection of the revenue and the transmission of the funds to Ottawa for credit of the Receiver General with such bank. In the case of each bank so assisting in the collection and transmission of the revenue, the balance at credit of the Receiver General at its Ottawa Branch accumulates; and from time to time the Finance Department draws on the balance in transferring bulk sums to its various accounts in the Bank of Montreal, Ottawa. A glance at the monthly return of the chartered banks shows that some twenty two banks, out of twenty eight going banks, report balances due to the Dominion Government. These balances are intended as compensation for work done for the Government in receiving and transmitting all Government monies; such as customs, excise, postal and other revenues, post office savings deposits, etc. The balances are free of interest and

the proportion remaining on the average with each bank (except the Bank of Montreal) is intended to be so adjusted as to give a fair share to each for the amount of work done. Almost the whole of the disbursement of public money is made by cheque on the Bank of Montreal alone. This entails a considerable amount of work upon the Ottawa Branch of that bank. In Ontario the Bank of Montreal generally acts as Dominion Government banker at all points where its branches are established. At points where the Bank of Montreal is not represented, the bank first established may get authority to act as government banker. Small rural post offices in places not possessing a branch bank, send their receipts by registered mail to the Bank of Montreal, at some central point as a rule.

Post Office money orders are paid by such bank as acts as government banker, after being marked by the paying post office. The bank afterwards exchanges the paid money orders for the local postmaster's draft on the Postmaster General at Ottawa. All withdrawals by depositors in the Post Office Savings Bank are met by cheque on the Bank of Montreal, Ottawa; and are payable, like all other Dominion Government cheques, free of charge by all banks in Canada. Ontario now has no branch of the Dominion Government Savings Bank. The banking business of the Ontario Government is divided among a large number of banks. At one time the Provincial Treasury confined its business to three or four banks, but latterly it has been obliged to make a wider division. The Province taxes the banks for each branch located in Ontario, and all banks having a considerable number of branches, therefore consider that they are entitled to a share of the Provincial Treasury deposits. It is said that the Bank of Montreal and the Canadian Bank of Commerce each has a specially large share of the funds.

Agricultural Business.

At nearly all of the branches located in the towns and villages, the business transacted with the agriculturalists is important. Ontario's principal crops are: wheat, oats, barley, peas, corn, potatoes and other roots, clover, hay and fruit. In connection with the business of agriculture, the dairy industry is prosecuted and it is necessary to take account of the business of raising and selling live stock which is also largely in the hands of the farmers.

So far as the cereals, vegetables and roots are concerned, it is not necessary to describe the method of financing each item on the list; they can be taken in one class. The student should remember that in Ontario the farmers' connection with the banks is largely as depositors. They appear most frequently on the books of the banks as possessors of deposit receipts or savings accounts. Some few operate current accounts; and a considerable number appear as borrowers, or as discounters of paper. The banks take very little part in financing the movement to market of a considerable portion of the Ontario crops of cereals and roots. From his total product the farmer first reserves a portion that will suffice for the needs of his family for perhaps two-thirds of a year, and for feed for his live stock. Of the surplus remaining, a part will be sold to his immediate neighbors, largely for cash or in exchange for other produce. Another part of his yield will be sold to the storekeepers or direct to consumers in the nearest market town. Cash will be paid for this, and the banks in the locality may not perceive any notable evidence of the operations. However the facilities supplied by the bank are called into play to assist the movement of that portion of the yield of the district which goes abroad, or which is sent to another Canadian district.

Transferring Grain From Country to City

In this case the ultimate buyer and the seller do not come into immediate contact; credit and the transfer of funds, play an important part. The farm products destined for export or for shipment to another part of the country, are usually bought by a grain dealer domiciled in the market town of the district. This dealer may or may not be the proprietor or lessee of a flour or grist mill. He will have an account at the bank; and the bank will assist him to purchase the produce. Farm produce is strictly a cash commodity, and the dealer must pay cash on receipt of the wheat, oats, barley, etc., which the farmers sell to him. He draws the necessary cash from the bank, from day to day, by means of cheques on his account. He may be obliged to borrow from the bank in order to keep his account in funds. Then he turns the grain over to a produce buying firm in one of the central cities. He may sell to a Toronto house or to a Montreal house. On this sale he gets his money as soon as the produce is shipped, through drawing a draft at sight or on demand upon the consignee. Attached to the draft will be the railway bill of lading which carries title to the goods. The bank will be instructed to hold the document until the draft is paid. The amount of the draft goes at once to the credit of the dealer's account, less the commission or discount charged by the bank. Then the bank owns the draft. It forwards the draft and bill of lading to its branch in Toronto—if the draft is drawn on that city and the produce firm there pays the draft in order to gain possession of the bill of lading which will enable it to demand the produce from the transportation company.

Disposition of the Grain in the City.

This suffices to finance the grain to Toronto. Produce arriving in Toronto from country towns is required to fill

several needs. First of all there is the large demand for home consumption in the city itself. The thousands of inhabitants must have bread, flour, vegetables, cereals in various forms. So the produce dealer sells a part of the stuff arriving every day to the several milling or manufacturing concerns engaged in converting the raw produce into the forms in which it is purchased by the householders. This also is cash business. Purchasers must pay for the produce on delivery. Payment is made by cheque or by means of drafts at sight or on demand. This produce dealer in Toronto may also be called upon to ship grain or other produce to certain towns or districts in the country where the supply is short. He will ship to local dealers, drawing for the consideration with bill of lading attached and instructions to the bank to surrender it on payment of the draft. Possibly the Toronto produce dealers will have large advances from their bankers on the security of grain in warehouse or elevator, or in transit. Then this house will perhaps also do an export business. Grain coming forward from the country shipping points, may be more than sufficient for the home needs. Export of grain from Canada is mainly to Europe. A number of the great European countries require to import large quantities of grain in order to feed their own people. The United Kingdom is the largest purchaser of Canadian grain. In Liverpool a great international market exists; importers there, scan the agricultural conditions in the whole world. Every day they bid the prices they will pay for grain from Russia, Canada, the United States, Argentine, and other countries. If through speculation or manipulation, grain prices in any particular country are raised unduly, they turn from that country to other sources of supply. For the time being the country demanding the high prices can do no export business. Export is checked or stopped, because prices are above an export basis.

The Export Trade.

When Liverpool bids a certain price for wheat, Canadian exporters reduce the price to a Canadian basis, by deducting from it the items of cost of exporting the grain to that market. This cost includes freights, insurance, interest and commission. On deducting from the Liverpool price these, and such other expenses as may be incidental to a shipment to Liverpool, the net result is compared with the prices current in the Canadian market. If the net result is less than the Canadian prices, exporting is unprofitable. It pays better to sell in Canada. If the prices at Hamburg, Havre, Antwerp, are no better relatively than the Liverpool prices, then the export business is at an end until the relative differences are adjusted. The foreign buyers must raise their bids, or the Canadian sellers must reduce their asking prices.

In connection with exports of grain to Germany and France, which usually go through the ports of Hamburg and Havre, it is to be remembered that the import duties figure importantly in adding to the expense involved. So, in order to make a shipment to one of those ports, as profitable as a shipment to Liverpool, a higher price would have to be forthcoming.

The exporter in Toronto will, upon negotiating a sale abroad, draw a bill of exchange on London or Liverpool, for the consideration agreed upon. The bill will be expressed in pounds sterling, and shipping documents will be attached which are to be held until payment or acceptance of the bill. The bills are often drawn on great European banks, for terms of sixty and ninety days. The acceptance of one of these banks is taken as practically equivalent to the payment of the bill at maturity. On an acceptance of this kind it is customary to give up the shipping bill security.

The Toronto exporter sells this bill of exchange to his bank in Toronto. The bank may forward the bill for collection or discount to its London agents ; or it may sell the bill at a small profit next day in the New York exchange market ; and thus get its funds back at once in readiness for undertaking further transactions of the same nature.

The Large Milling Companies.

Before leaving this branch of the subject it should be said that much of the grain destined for home consumption is sent direct from the country districts to large milling plants located outside of Toronto. The plants of several large corporations making public report of their operations, are located as follows: Canadian Cereal and Milling Co., (head office Toronto) mills at Ayr, Lindsay, Galt, Highgate, Woodstock, Embro, Fergus, Mitchell, London, Tillsonburg, Seaforth, and Toronto ; Lake of the Woods Milling Co., (head office Montreal) mills at Keewatin, Ont., and Portage-la-Prairie, Man ; Maple Leaf Milling Co., (head office Toronto) mills at Kenora, Ont., Brandon, Man., Thorold, St. Catharines, Welland, and Port Colborne ; Ogilvie Flour Mills Co., (head office Montreal) mills at Montreal, Que Winnipeg, Man., and Fort William, Ont ; Shredded Wheat Co., head office and mills, Niagara Falls ; Western Canada Flour Mills Co., (head office Toronto) mills at Brandon, Man., St. Boniface, Man., and Goderich, Ont.

Besides these mills, operated by big corporations on capital procured by public issues of securities, there are many mills operated and owned by individuals and private companies. The mills grind the grain and ship their products to the various consuming districts. Some of the plants in Northern Ontario—Keewatin, Fort William for example—draw their supplies of grain from Western Canada. And many of the other Ontario mills are accustomed to buy

large quantities of the hard Manitoba wheat for mixing with the softer Ontario product.

Operations of these mills located outside Toronto are financed in the same manner as the Toronto operations. The country dealers who ship to them, draw on them in the same manner—with bills of lading attached; they, in turn, draw on the purchasers of the manufactured products wherever located.

There is also a large export trade in flour. Great Britain is the principal market, but important shipments are made as well to China and Japan, South Africa, Newfoundland. The exports are financed in the same manner as are the exports of grain.

The largest milling accounts are sometimes divided among two or more banks. However the Bank of Montreal carries the account of Ogilvie Flour Mills Co; the account of the Lake of the Woods Milling Co., is divided between the Canadian Bank of Commerce and the bank of Toronto.

The Fruit Growers.

In certain districts of Ontario, notably in the Niagara Peninsula, and along the north shores of Lakes Erie and Ontario, fruit growing is extensively carried on. Peaches, pear apples, cherries, grapes, plums and berries are produced in large quantities. A very considerable portion of this yield is consumed in the Dominion. The people living in the fruit districts consume but a small part of the crops they produce. The cities of Toronto and Hamilton furnish large markets for much of the fruit. Large shipments are sent to Montreal, Ottawa and Winnipeg; and a comparatively small amount is exported. The perishable nature of the product makes it difficult or impossible to export certain important varieties to Europe. However, Canadian

apples are sent to the British Isles in considerable quantity ; and efforts are being made to introduce Canadian peaches and pears to the same markets.

The fruit growers have several methods of disposing of their products. They may take them to one of the near-by market towns and sell to the storekeepers or direct to the householders. This market is, however, quickly satisfied or filled. Another market is provided by the canning factories. These factories are located at central points in the fruit districts. The canning companies send their agents to the growers in the spring, inviting them to contract for the delivery of so many boxes, or crates, or bushels, of fruit during the season. Sometimes the contract does not specify a particular quantity but calls for the delivery of the fruit-grower's entire crop with certain reservations. A fixed price is named in the contract, to apply to all deliveries in the season. The canners will usually also buy from the growers at their factories, fruit which is not covered by contract. The price paid for this fruit is of course governed by market conditions. In the event of a scarcity or partial failure, the growers who did not sign contracts may get from the factories prices higher than those paid for deliveries under contract.

The Canning Companies.

The canners of course pay cash on delivery. They convert the raw fruit into the canned article which is distributed through the grocery trade. The bank accounts of the canning companies consist largely of withdrawals of cash to pay for fruit and vegetables delivered at the factories and to pay wages of employees. They also require to meet drafts against purchases of sugar, coal and other articles used in converting the raw material into the finished products, and against purchases of tin plate for making the cans. They

effect reimbursement for these outlays and secure their profit on the process of manufacturing through drawing upon the dealers to whom the canned goods are sold. Discount accounts composed of these drafts are regarded by the banks as highly desirable.

The canning business in Ontario is largely concentrated in the hands of one big corporation—Dominion Canners Limited—The Dominion Canners is a consolidation of The Canadian Canners Limited and fourteen independent companies. Prior to this consolidation the Canadian Canners itself represented a consolidation of thirty-three individual companies. The factories in the Canadian Canners' consolidation are located in the following places: Amherstburg, Aylmer, Belle River, Bloomfield, Brighton (2), Chatham, Delhi, Dresden, Dunnville, Grimsby, Hamilton (3), Kingsville, Lakeport, Leamington, Niagara-on-the-Lake, Picton (2), Port Hope, Simcoe, St. Catharines (4), Sandwich, Strathroy, St. Davids, Trenton, Waterford, Wellington and West Lorne. And the independent factories taken with these to form the Dominion Canners were located at: Beamsville, Belleville, Bloomfield (2), Burlington, Hillier, Jordan Station, Napanee, Niagara Falls, Picton, St. Catharines, St. Thomas, Tilbury and Wellington.

The Commission Houses.

Another part of the market for fruit is provided by the commission houses located in the large cities—Toronto, Montreal, Ottawa, Winnipeg. A commission house with a large business in a particular fruit district may have a buyer stationed at the principal shipping point for the purpose of buying and paying cash for the fruit offered by the growers. In this case the commission house will likely make arrangements with a local bank for the funds needed by the buyer.

The funds will be transferred from the main office of the commission house.

A very large portion of the Ontario fruit crop is disposed of by means of shipments to the commission houses. The grower sends the fruit to the commission agent with instructions to sell it and remit proceeds. The commission houses remit by cheques, which may be drawn on their bankers in the cities; or, if their business in the fruit district is large, on a local bank in the district. The growers present these cheques at the local banks and draw proceeds. The commission men of course, sell the fruit at once to retailers and consumers in the cities; they also make shipments to retailers in smaller towns which do not produce enough fruit to supply the home consumption. The usage is to draw drafts at sight against sales of fruit. The stuff must be sold at once, and the consignees of the shipments are not entitled to have any extended credit upon a purchase of goods which will be sold in a few days after delivery.

The Trade in Live Stock.

While the business of fruit growing is carried on extensively only in a few districts, the farmers are engaged in raising and selling live stock practically everywhere in the older parts of Ontario. As in the case of the cereals, vegetables, roots and fruit, there is in each locality a home and outside demand. The butchers and provision dealers of the district endeavor to supply their needs locally through buying direct from the farmers. They cannot always however supply themselves entirely in this manner. Even in some country districts the local butchers are obliged to import meat from the cities. In those counties where there is a surplus of live stock available for export, export buyers, acting for themselves, for meat packing concerns, or for export dealers, travel through the country buying stock from the farmers.

Usually it is necessary for these buyers to pay cash to the farmers on delivery of the animals. If the local buyer is operating on his own account he will perhaps borrow from the local bank such funds as he requires when setting out to gather in his purchases. His bank loan will be for a short term—perhaps not longer than five or ten days. He ships and accompanies the animals to Toronto—or to Montreal if his locality is in the Eastern part of the Province; and in about a week he returns with the proceeds in the form of bank notes or a cheque on a Toronto or Montreal bank. The note at the local bank is liquidated and in a short time the transaction is repeated.

Sales to Exporters and Packers.

If the buyer represents an exporter of live stock he will be supplied with funds by his principal. In all probability the local bank will be the intermediary for transferring the funds from the export point to the buyer's district. The animals will be collected in the same manner as that described, and shipped to Montreal, the exporter there ships his cargo to England, his bankers in Montreal financing the transaction and purchasing the exchange which he draws against the shipment. Exports of live animals are mostly composed of cattle, and they go mostly to the United Kingdom. In spite of the American customs tariff a number of Canadian cattle are sold in the United States every year. Horses go to the United States more extensively than to the British Isles. Exports of Canadian sheep are also principally to the United States.

A considerable number of animals are purchased by the Canadian meat-packing establishments. Large plants are located in Toronto, Montreal, Hamilton, and at several points in Ontario. The packers pay cash for all animals

purchased by them. Farmers in the immediate vicinity of the packing plants make personal delivery of animals sold by them to the packers. Local buyers of live stock in the various districts also sell to the packing companies; and the regular buyers of the companies are of course steadily sending consignments to the plants. As all purchases of live stock are for cash, and as the process of manufacturing and distributing the finished products requires some time, the packing companies usually depend on the banks for large advances.

The Markets for Packing House Products.

The output of the meat-packing plants is sold in the Dominion and abroad. For the portion sold in Canada, drafts are drawn upon distributing houses and upon retailers; and for the exports bills of exchange are drawn. Exports of meat products show a tendency to diminish in volume. Formerly the shipments of bacon and hams to Great Britain were very large. Two developments have contributed to check the development of this branch of Canada's export trade. The more important of the two factors is the rapid growth of home consumption in the Dominion. Increase of population since 1905, has been rapid; and it has led to an important increase in the domestic demand for such articles as the meat-packers sell.

The other factor is the aggressive policy of the big packing concerns in the United States. These interests have recently established extensive plants in the Argentine Republic in order to facilitate and increase their export trade to Europe. They have also endeavored to secure a footing in Australia, but have been met there with legislative opposition.

Exports of Canadian meat products consist of bacon,

hams, beef, canned meats, pork, poultry and other meats. The United Kingdom is the principal market. In the case of pork, the greater part of the shipments abroad go to Newfoundland. A secondary market for Canada's meat products is furnished by the United States.

The Dairy Industry.

At the country branches in certain parts of Ontario the farmers have relations with the banks in connection with the dairy business. The eastern part of the province and a portion of the peninsula between Lakes Huron and Erie are especially prominent in this industry. The banks assist the industry through advancing funds to the exporters and distributors of cheese and butter, and through carrying the accounts of the cheese factories and creameries. In the banking territory tributary to a good town in the cheese districts there may be a dozen or a score of factories. The accounts of the factories are nearly always deposit accounts. Farmers supplying milk to a factory are known as its patrons. The cheese-making season begins in the spring and towards the end of May the factory-treasurers begin to deposit the cheques of the cheese-buyers every week or twice a week. The factories sell the cheese as it is prepared for market; and the funds accumulate in their bank accounts. At intervals throughout the season, the funds are distributed among the patrons, usually by cheque. The banks value the factory accounts highly, for one reason because they have a notable influence on the deposits. Funds are gained, temporarily at first, in the factory-treasurer's account, and afterwards a portion of the factory funds become fixed deposits in the savings accounts of the individual patrons.

The buyers who attend the local cheese boards usually represent exporting or distributing houses, domiciled in

Montreal or Toronto. They are financed from headquarters. The buyer may open an account at the local branch, depositing the accepted cheque of his principal for a round amount, sufficient to pay for the purchases of the week. He then gives his cheque to the various factory-treasurers; and ships the cheese to Montreal or Toronto for export or distribution in the home market. Banks in these cities are required to grant large loans to the exporters of, and wholesale dealers in dairy products. Such advances are usually on the security of the products stored in warehouses.

Domestic Market for Butter.

The export trade in cheese is still very large—the United Kingdom being the principal market. But it shows a tendency to diminish in the same manner as the export of bacon and hams is decreasing. The Canadian consumption of cheese and butter is increasing rapidly, more rapidly than production is increasing. Consequently there is a diminishing surplus for export. So far as butter is concerned the export trade has almost vanished. Increase of population is the principal cause of the increased consumption in Canada. Against the exports, bills of exchange are drawn; the cheese bills constitute an important element of the exchange market in Montreal and Toronto.

The butter making industry is still largely in the hands of the farmers' wives. Creameries are steadily increasing in number, but a large part of the butter, placed upon the market, comes forward in the old fashioned way, through the medium of the country storekeeper who buys it from the individual farmers. Under that process the storekeeper supplies the needs of consumers in his district and ships the surplus to the produce dealers in the cities. In regard to cheese, Canada as yet ranks as the largest shipper to the

British market, with New Zealand and Holland respectively in second and third places. Denmark ranks first as a shipper of butter to the United Kingdom, and is followed by Australia and Russia.

Ontario's Minerals.

Ontario takes rank as the greatest manufacturing province of the Dominion ; and the banks are in close contact with the manufacturing business at many points throughout the province. But, before dealing with manufactures it will be well to continue the description of natural products, consequently some attention will now be given to the minerals. The principal minerals produced in Ontario are silver, pig iron, iron ore, nickel, copper and gold. There is a silver district on the north shore of Lake Superior in the vicinity of Fort William and Port Arthur, from which considerable quantities of metal have been taken ; but the Lake Superior mines do not now contribute importantly to the output. At present the Cobalt field is the largest producer of mineral values in Ontario. The mines in the Cobalt field extract the ore and send it to the smelters. The shipments of ore have been going to various smelters : Oxford Copper Co., at Copper Cliff, Ont. ; Coniagas Reduction Co. at Thorold, Ont. ; Deloro Smelting and Reduction Co. at Deloro, Ont. ; American Smelting and Refining Co. at Perth Amboy, New Jersey and at Denver, Colorado, and to other plants, one in Orillia, Ontario, especially. Several of the mines have provided concentrating and reduction plants on their properties, and an increasing proportion of the product goes out as concentrates or bullion.

Banks and Mining Companies.

The banks in the mining districts do not, of course, assist the companies to prospect, explore and develop their

properties. That responsibility must be borne by the stockholders in the various ventures. However, after a certain stage is reached the banks lend their assistance, and the industry derives much benefit from their presence in the field of operations. A bank branch in the silver mining district will in the first place endeavor to establish connections only with the responsible or respectable companies operating there. These companies' accounts at the outset may consist largely of funds on deposit. A company owning claims supposed to be valuable, will sell enough stock to provide its treasury with funds sufficient to enable it to bring its operations to the self-supporting stage. This money—the proceeds of sales of capital stock lies on deposit with the bank. When the important veins are located, the shafts are sunk, the officials meanwhile drawing freely on the balance in the bank to pay for machinery and supplies, wages, motive power, and to meet other expenses. The high-grade ore is shipped at once to the smelter. On this shipment the bank will, if necessary, make an advance, providing that the company is a responsible concern in good credit. The bank reimburses itself when the returns from the smelter come in. In the meantime the low-grade ore accumulates on the dump. If the mining company proceeds to build a concentrator or reducing plant, the outlay for the purpose is treated as a capital expenditure—the funds being provided by the stockholders, through the issue of new stock or perhaps through temporarily passing or reducing the dividend. When this plant is in operation the low-grade ore on the dump is passed through and the product shipped in the form of concentrates. On these shipments, too, the bank will advance. Upon shipments of silver bullion sent from the camp the bank advances nearly full value. Perhaps in case of need the bank would make advances to a strong and res-

pectable company on ore in the dump if that were known to be very valuable and if the company had the equipment requisite for treating it.

Certain of the Cobalt companies have latterly followed the policy of accumulating large cash surpluses. They effect this accumulation through distributing as dividends only a part of the annual profits. Companies in that position, of course, require no advances from their bankers, as they have large balances on deposit.

The services of the banks are again requisitioned to pay the dividends to stockholders. Usually the stocks are widely distributed. Dividends are generally paid quarterly by means of cheques on the banks.

The bank branches in the mining districts also transact considerable business with customers other than the mining companies. There are savings accounts operated by the mine workers and the mine officials, accounts of retailers or store keepers in the mining towns; of hotel keepers, lawyers and other professional men, power companies, transportation companies, etc., all of which business resembles the business supplied by such parties in other localities.

Iron Mining.

Throughout Ontario there are several regions in which iron is found. Iron exists in Eastern Ontario in the neighborhood of Haliburton, and near Perth, Smith's Falls and Arnprior. It is also found in the Cobalt field, near Sault Ste Marie and along the north shore of Lake Superior. Directly west of Fort William and Port Arthur lies the Atikokan iron district which is in process of development by the Canadian Northern Railway interests. The mines in Eastern Ontario are not as important as are the Lake Superior Mines. A very prominent place in iron mining in Ontario

is held by the Lake Superior Corporation, which is a holding company directing the operations of thirteen subsidiary companies. The list of these subsidiary companies includes two railways, a traction and a transit company, iron and steel works, two power companies, a pulp and paper company, an express company, a water and light company and a commercial company. The parent company is controlled by capitalists in Canada, England and the United States.

The iron ore is taken from the mines near at hand on Lake Superior, much of it from the Helen Mine, and worked up into various forms by the subsidiary companies. Iron in various forms is sold to the iron and steel manufacturing concerns located at Toronto, Hamilton, Welland, Kingston, Gananoque and other places. The production and manufacture of iron relate intimately to a number of other Ontario industries.

Iron in the form of pigs, or in some more advanced state of manufacture, constitutes an important part of the raw material used by the machinery industry, agricultural implement makers, the cycle and motor industry, foundries, also for carriage making, car and locomotive works, bolt works, screw factories, wire and nail factories, rolling mills, bridge works, and other industries.

Financing the Iron Industry.

Of course in the case of such large iron mining concerns as the Lake Superior Corporation and the Canadian Northern Railway, the funds required for development and operation are derived mainly from issues of bonds and other securities in London and New York. However the balance sheets of the companies sometimes show large loans from the banks. When such loans are made by the Canadian banks, the advances are under the direct supervision of the bank head

offices, and under special terms agreed upon between the corporations and the banks.

The transactions passed through the bank accounts would necessarily be large. In the case of a huge concern, like that at Sault Ste Marie, it would probably be necessary to have a bank account for each subsidiary company ; and continual transfers of funds from one to another of these companies would be necessitated.

The outlay for wages and for expenses of mining and manufacturing is very extensive. The banks handling the accounts gain fairly good circulation for their notes, and good deposits from the workmen and officials.

A considerable part of the iron produced by the Lake Superior corporation finally leaves its hands in the form of steel rails. These are sold to the railway companies in Canada. Payment is made by the railways on completion of the orders, when the accounts relating thereto are audited.

Other Minerals.

Ontario's output of nickel ranks next to the output of pig iron and iron ore ; and copper follows nickel. The first named product is found almost exclusively in the Sudbury district north of Georgian Bay. This district produces half of the world's total supply. Headquarters for nickel mining are at Copper Cliff and Sudbury. This district is also the most important source of supply in the case of copper. But copper is found in Algoma, near Sault Ste Marie, and in certain islands situated near the north shore of Lake Superior. Copper mining and nickel mining are carried on principally by United States companies. These companies have accounts in Copper Cliff and Sudbury, but a large part of their financing is done in the United States. There is a market for both products in Canada, but the American companies follow

the policy of shipping them, largely in crude or raw state, to works in their own country. Thus the United States figures as the destination of the greater part of Ontario's production of nickel and copper.

With reference to other minerals : petroleum, natural gas and salt, are found in southern Ontario, and in various parts of the province building materials constitute an important production. In the Ottawa valley, granite, marble, sodalite, felspar, talc, mica, graphite and corundum are found.

Gold is the only other mineral that has figured importantly in Ontario's production. There is a gold district in the territory lying near Lake-of-the-Woods. This was worked extensively some years ago, but mining is not now actively prosecuted.

Then there is gold on the north shore of Lake Superior, at Heron Bay and Jackfish, also at Webbwood, north of Lake Huron, and at Madoc in the Eastern part of the province, but none of these are important fields. Within the last few years the Porcupine district in Northern Ontario has risen into prominence. This promises to develop into a gold field of importance, and several of the Canadian banks have established branches in the territory. The connection of the banks with the industry would be similar to their connection with the silver mining industry in Cobalt. They assist the respectable companies through advancing funds to them when they have reduced their product to marketable or realizable shape ; also through acting as depositories and fiscal agents.

Before leaving the subject of Ontario's minerals, it should be said that the country north of the Grand Trunk Pacific Railway has not been thoroughly prospected, except

along the principal rivers. It is to be expected that valuable discoveries will be made in this region from time to time.

The Lumber Industry.

The lumbering industry of Ontario has always furnished the banks with a large volume of business. Although they have derived large profits from their lumbering accounts, the connections with the lumbermen have not been invariably or uniformly profitable. On some occasions heavy losses were experienced by the banks. In by-gone days several banking institutions were seriously crippled by their losses. At present the lumbering business is more largely in the hands of strong companies possessing more extensive supplies of cash. And at the same time the total of advances made by the banks to their lumbering customers does not comprise so large a proportion of the total of their loans of all kinds. Thus the business of financing the lumber industry is not now so dangerous.

The operations of the lumbermen were formerly carried on in the southern part of the province; but that is now mostly cleared. The Ottawa valley has been one of the principal sources of supply; later, the Parry Sound district came into prominence. Gradually the lumbermen have pushed their operations northwards. In all the newer parts of the province, lumbering is carried on more or less actively.

Closely allied to the business of lumbering is that of cutting and hauling timber to be used for firewood. Individual farmers and settlers in the north country perform much of this work. The market for the wood is nearly altogether in Canada. Except in the case of the larger dealers, the banks are not called on to take an active part in financing the business. Then, in various parts of the province, contractors and farmers are accustomed to go into the

woods each winter to cut ties for the railway companies. If these parties are possessed of good credit, they may secure advances from their bankers at some stage of their operations.

The Home and Outside Markets.

The most important part of Canada's lumber business is that carried on by firms or companies sending gangs of men into the bush to cut and prepare the timber for the sawmills. The logs are brought by water to mills conveniently located, there to be converted into the various forms of manufactured products. There is a large domestic demand for the output. Every little town has its local lumber-yard, the proprietor of which requires to purchase supplies in order to provide the local building trade with material for construction.

The large lumber companies usually buy their horses and camp equipment with their own capital. They are expected also to acquire and construct, with their own funds, such short railway lines and other permanent improvements as they need. They will probably be able also to buy provisions for men in camp, feed for the horses and provide the men's wages for the early months of the winter without calling upon the banks for loans. Some companies are strong enough financially to carry through the greater part of the winter's operations on their own capital.

For that portion of the output of the mills, which is sold in Canada, notes are taken or drafts drawn. By discounting this paper, the direct loans are taken up or reduced. A number of the lumber companies are in the export business. Canadian forest products are exported in the form of logs, pine, spruce and other deals, deal ends, planks and boards, laths, palings and pickets, joists and scantlings,

shingles, staves and beadings, sleepers and railroad ties, square timber, wood for wood-pulp, and in various manufactured forms. The principal markets are the United States and Great Britain. The largest export trade is in planks and boards. About seventy-five per cent. of the exports of these, goes to the United States; the port of Buffalo takes a very large amount. The United Kingdom and the Argentine Republic, between them, take about twenty per cent. of the exports of planks and boards. On the other hand the United Kingdom provides the principal market for Canada's pine and spruce deals. Practically the whole amount exported goes to Great Britain. The United Kingdom also provides the principal outside market for deal ends, joists and scantling, and square timber. Quebec City is the principal seat of the Ontario and Quebec export trade to Britain.

Wood for wood-pulp has been largely exported to the United States, but the provinces are showing a strong disposition to prevent this movement and to encourage the manufacture of pulp and paper in the Dominion.

The principal part of the exports of shingles, laths, paling and pickets, and of sleepers and railroad ties, goes to the United States.

Manufactures.

Ontario secures annually a large yield from the fisheries in the great lakes and in the smaller lakes and rivers. Most of the yield is consumed in the province. However, the description of the methods of financing the several departments of the fishing industry may be given more appropriately in the lessons dealing with the Maritime Provinces, British Columbia and Newfoundland.

It remains to devote a few paragraphs to the manufacturing industries of the province. These are many and varied ; and some forms of manufacturing are carried on in every part of the province. Ontario surpasses every other province of Canada in regard to capital invested in manufacturing, value of annual product of manufacturing establishments, and number of wage-earners employed in manufacturing.

Some of the principal manufactures of Ontario are : agricultural implements, carriages and wagons, automobiles and cycles, agricultural engines and threshers, tools and machinery, hardware supplies and various forms of iron and steel, electrical machines and supplies, cordage and twine, pulp and paper, beer and spirits, bags, silverware, woolens, canned goods and meat products, cement, flour and cereals, paper boxes, pianos, organs and sewing machines, furniture, safes, leather, boots and shoes.

Naturally a great number of manufacturing plants are congregated in Toronto and Hamilton, where raw materials are accessible at competitive prices, where abundance of power is available, where labor is plentiful and where transportation facilities are relatively cheap.

Financing the Manufacturers.

Important manufacturing industries are to be found, however, in many other Ontario towns and cities. Ottawa, Peterboro, Brantford, London, Brockville, Port Hope, Kingston, Cobourg, Cornwall, Fort William, Port Arthur, Niagara Falls, Windsor, Woodstock, Berlin, Galt, Guelph, Sault-Ste-Marie, Lindsay, Chatham, St. Catharines, Smiths Falls, Belleville, Gananoque, Goderich, Oshawa, Owen Sound, Orillia, Stratford, Trenton, Walkerville, Welland, St. Thomas and several other towns have some big factories. An espec-

ially rapid industrial development has taken place in the Niagara Peninsula during the past five years. One of the principal causes is the abundance of cheap electrical power from Niagara Falls ; and the Welland Canal places the district in communication by water with the principal seaports and distributing and industrial centres of Canada. So, while the banks in Toronto and Hamilton have a large number of manufacturing accounts in their books, the branches in many of the other cities and towns are called upon to assist the local plants to convert raw materials into finished products and place them on the market.

Space is not available for a detailed account of the manner in which each line of industry is financed by the banks ; nor is such a detailed description necessary. It will suffice if a brief outline is given of the method by which the banks support the manufacturing industry in general. They frequently aid their industrial customers, in the first place, through assisting them to buy raw materials. When these are staples possessing a broad market the banks will make loans on the security. Then in certain instances the banks advance funds to pay wages and meet other expenses of manufacture. They are always ready to discount the trade bills offered by manufacturers in good credit.

The Domestic Market for Manufactures

When the manufacturer does not require bank loans, the bank takes the custody of his funds, collects his bills and makes disbursements on his behalf. It should be remembered that a considerable number of the new manufacturing plants established in Ontario during the past five years are branches of American industries. In a number of cases these American branches are financed by the parent concerns in the United States. They are large corporations,

able to issue bonds in the American market bearing lower interest rates than those prevailing for bank loans in Canada. Their accounts consists largely of deposits, of disbursements of the same and of collections.

A large portion of the output of the Ontario manufacturing plants is consumed within the Dominion. Ontario itself provides a big market. The four Western Provinces—Manitoba, Saskatchewan, Alberta, and British Columbia comprise a most extensive and valuable market. For agricultural implements, especially the Western Provinces, send out a strong demand. The Eastern plants annually dispose of much of their output west of Lake Superior. Canadian makers of agricultural implements also sell them abroad. A few are sold in the United States. Great Britain, France, Germany, and other countries take a large number each year.

Such Canadian carts, carriages, etc., as are exported, go principally to the United States. Exports of cement are quite unimportant; the Canadian cement industry depends altogether on the home market for its production. A considerable amount of cordage, rope and twine, the product of Ontario factories, goes to the United States. Great Britain is the principal outside customer for sole leather; the market for the Canadian boots and shoes is practically altogether in the Dominion. With regard to the manufactures of iron and steel, the exports are not important, except in the case of agricultural implements. Canada imports these manufactures very heavily on balance, principally from the United States.

These is an important export trade in paper, printing paper chiefly, and in wood pulp, in which the Ontario manufacturers share. The United States are the chief market; but Great Britain also takes a respectable amount. The

Ontario distilleries send but a small part of their output of whiskey to the United States ; some tobacco also goes to the neighboring republic. The principal, and in many cases the sole market for the manufactured products of Ontario is found in Canada. Excepting cheese and flour, the principal exports of manufactures are :—carriages, cordage, drugs and chemicals, hides, agricultural implements, paper and wood pulp.

Financial Business

In concluding the description of the business transacted by the banks in the Province of Ontario, it is necessary to say that a very large volume of what is known as financial business is transacted in Toronto. Toronto has the head offices of ten banks ; the city also has the head offices of a large number of other financial corporations, such as trust companies, loan companies, insurance companies, and of transportation companies. And it is the seat of operations of many bond houses and stock-broking firms. All these companies and institutions operate active accounts with the banks. Most of them carry large balances, and deposit and withdraw huge sums in the course of a year. Others are heavy borrowers ; their borrowings are usually on the basis of stocks and bonds as collateral.

Throughout the province, the various municipal accounts, the accounts of the counties and townships are almost invariably held in high esteem.

EXAMINATION QUESTIONS**BANK GEOGRAPHY****LESSON 3.**

1. Give details of the taxation levied on the banks, by the Provincial Government of Ontario.

2. (a) Describe the process followed in financing the movement of grain from a Western Ontario agricultural district to Toronto.

(b) After it reaches Toronto what becomes of the grain destined for home consumption, and how is the further movement financed?

3. (a) Where are the principal fruit growing districts in Ontario.

(b) What are the principal fruit products, and how is the movement to market financed?

4. Describe the process followed in financing the movement of live stock from the country districts to Toronto and Montreal, and thence to Europe.

5. (a) Where are the principal markets for Canadian cheese?

(b) Tell how this product is financed to market.

6. What are the principal minerals found in Ontario; and in what district or districts is each mineral produced?

7. (a) Why is the iron industry spoken of as a basic industry?

(b) Describe the various forms of activity in which the Lake Superior Corporation of Sault Ste Marie is engaged.

8. Tell how the lumbering industry in Ontario is financed by the banks.

9. Explain why great manufacturing industries congregate in such cities as Toronto and Hamilton.

10. What products of Canadian manufacture are exported; and to what countries do they go?

BANK GEOGRAPHY

LESSON 4



.. BY ..

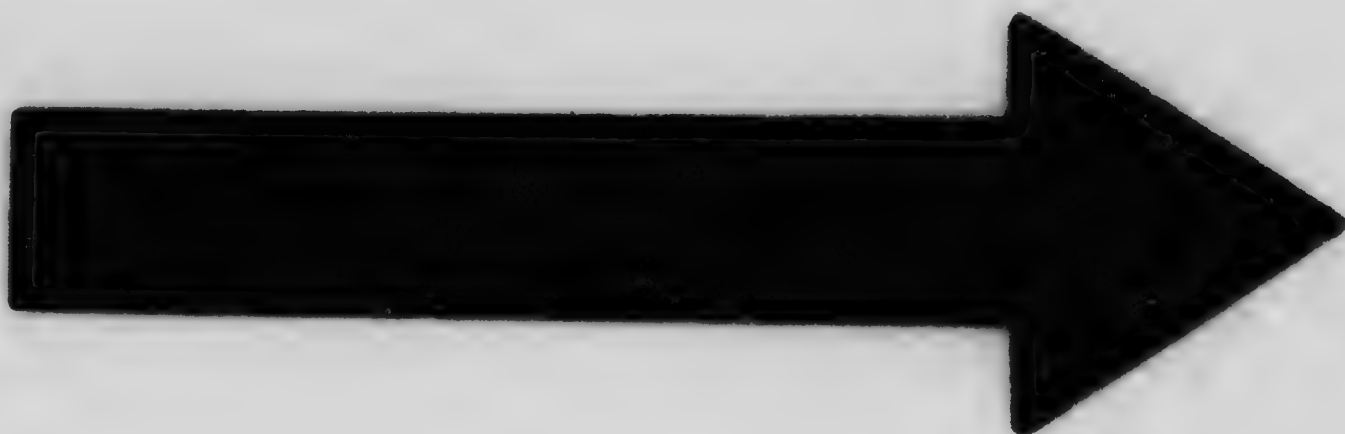
H. M. P. ECKARDT

*Author of "Manual of Canadian Banking,"
"A Rational Banking System."*



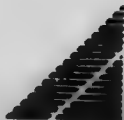
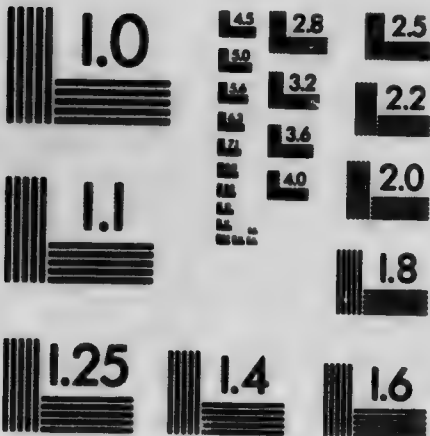
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BANK GEOGRAPHY

LESSON 4.

QUEBEC.

Distribution of Bank Branches and Provincial Taxes.

The distribution of bank branches in Quebec, as at the end of 1911, was as follows ;

Eastern Township's Bank	86	Branches
Banque Nationale	77	"
Banque Provinciale du Canada.....	38	"
Banque d'Hochelaga.....	30	"
Molson's Bank.....	27	"
Bank of Montreal.....	25	"
Quebec Bank	21	"
Merchants Bank of Canada.....	17	"
Royal Bank of Canada.....	11	"
Bank of Ottawa	11	"
Bank of Toronto.....	9	"
Bank of British North America.....	8	"
Union Bank of Canada.....	7	"
Banque Internationale du Canada	7	"
Bank of Nova Scotia	5	"
Imperial Bank of Canada	5	"
Dominion Bank	4	"
Canadian Bank of Commerce.....	3	"
Northern Crown Bank.....	2	"
Bank of New Brunswick	1	branch
Trader's Bank of Canada.....	1	"
Sterling Bank of Canada	1	"

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NOTE:—At the beginning of March 1912 the Eastern Townships Bank branches were incorporated in the system of the Canadian Bank of Commerce.

Taxes levied annually upon the banks by the Government of Quebec are : \$100 per \$100,000 of paid up capital up to \$1,000,000, and \$50 per \$100,000 of paid up capital,

or part thereof, in excess of \$1,000,000 ; for each head office in Montreal and Quebec City, \$200 ; for each other office in Montreal and Quebec City, \$150 ; for each office in the province elsewhere than in Montreal and Quebec City, \$30.

Government Business.

With regard to Dominion Government business generally in Quebec Province, the Bank of Montreal acts as Government banker. It receives daily remittances from postmasters in the Province, and deposits from Customs, Inland Revenue, and other departments of the federal government at the principal points. But in the case of a point where the Bank of Montreal is not represented or where another bank has been established longer than the Bank of Montreal, the bank branch first established acts as government agent.

There is no branch of the Dominion Government Savings Bank in the Province ; but the Assistant Receiver General's office in Montreal does an active business in gold and Dominion notes. When gold coin is imported by Canada the shipments are usually consigned to banks in Montreal ; and these banks generally deposit a part or all of the metal with the Assistant Receiver General's office and take large Dominion notes in exchange, and conversely, when Canada exports gold coin the banks in Montreal will present large Dominion notes at the Assistant Receiver General's office and demand gold, which gold is shipped out of the country, nearly always to New York.

The Bank of Montreal acts as banker for the Provincial Government, but deposits are placed with several of the chartered banks at different points, as well as in Quebec City. However the Bank of Montreal has the preference in all cases. The Provincial Government usually carries large balances on deposit, possibly \$2,000,000 to \$3,000,000 at times. The

Province seldom requires to borrow on short time, but when the occasion arises to do so, it applies to the Bank of Montreal. Occasionally the Provincial Treasurer appears as a buyer of sterling exchange. It is not his custom to ask for regular tenders. The Bank of Montreal gets the business providing its rates are most favorable to the Province.

Agriculture.

In certain respects Quebec's agricultural production resembles that of Ontario. Wheat, oats, barley, corn, potatoes and roots are produced in large quantities. In all parts of Quebec, except in some districts of the Eastern Townships, the farmers are almost exclusively of French origin; and in the Eastern Townships also the French Canadians are slowly displacing the English. Along the St. Lawrence the farms are long ribbon-like pieces of property; and in many cases the implements and equipment in use are antiquated or primitive. The shortage of labor, which to some extent handicaps agriculture in Ontario, is not so important a factor in Quebec, as the large families of the habitants are well qualified for supplying the labor market. In the immediate vicinity of Montreal, market gardening is actively carried on. The banks are not called upon to lend much assistance to this industry. On the whole the French-Canadian farmers are not large borrowers from the banks. The English banks do not in every case understand their ways and customs; and as many of the farmers are indebted to the Roman Catholic Church, they are to some extent in the hands of the clergy and church officials. For these and other reasons, the process of lending to them is complicated.

On the whole, oats is the principal crop, but in various parts of the province the hay crop has a dominating place. The neighborhood of Lake St. Peter is especially adapted

for growing hay. The farmers take the surplus hay and oats to the various market towns and sell to the dealers who pay cash. Produce destined for export is sold to exporting houses in Montreal or Quebec, drafts with bills of lading attached being passed through the local banks.

The Tobacco Crop.

It should be said that Quebec has, at St. Anne de Bellevue, a remarkably well-equipped agricultural college, the staff of which is actively engaged in teaching scientific farming. This institution is effecting a marked improvement in the methods in vogue in certain parts of the province. A larger share of attention is now given to scientific fruit-growing; and a couple of fruit districts in the western part of the province are developing rapidly.

The farmers of Quebec devote considerable attention to the cultivation of tobacco. The province provides two-thirds of Canada's whole production of tobacco. (Kent and Essex counties are the centre of the tobacco growing industry in Ontario.) As the crop is very profitable, the area devoted to it is increasing steadily. It is a rich crop, requiring concentrated attention; therefore the individual farmers usually have but a small acreage. Many of them do not plant more than five acres. The harvest is in October; the market is nearly altogether in Canada. There are large tobacco factories in Hamilton and Montreal. Sometimes the manufacturers buy the tobacco "in the field"; but a considerable portion of the yield remains in the tobacco barns until spring and is then shipped to the manufacturing centres. This movement is financed in the same way as is the movement of other kinds of produce. Buyers representing the manufacturers are financed by their principals; they pay cash for the stuff they buy. When local dealers or middlemen

buy the tobacco, they will probably do so with the aid of bank loans, which they will repay when the merchandise is turned over to the tobacco company.

The Dairy Industry.

Live stock production in Quebec is also an important item. In aggregate number of live stock owned however, the province falls well behind Ontario. The process of raising and marketing the stock is carried on as in the upper province. Buyers use the branch banks in the various shipping districts in order to pay cash. Animals are shipped largely to Montreal for export to Great Britain. A considerable number of horses, cattle, and sheep are driven across the border and sold in the United States; and others go to Boston and other American market centres.

Quebec has long held a prominent place in Canada's dairy industry. The Eastern Township in particular are famed for the butter and cheese produced. In dairy products also Quebec takes second place, ranking well below Ontario in value of output; but the yield is nevertheless very important. It might be said that in dairy production Ontario and Quebec are the only two provinces annually showing large figures. The course of the trade in Quebec is first to the shipping centres in the Eastern Townships, of which Cowansville is the most important; and from them to Montreal for distribution in other parts of the Dominion, or for export. As in Ontario, the dairy business is productive of profit and deposits for the banks.

The Montreal wholesale dealers and exporters have their representatives in the producing districts; and these representatives pay cash to the factories on receipt of the produce. They are of course financed by their principals who operate on large lines of credit granted by the banks in

Montreal. The big Montreal dealers and exporters operate in both provinces.

With reference to the butter production it should be noted that in Quebec the factory butter constitutes a larger proportion of the whole output than is the case in Ontario. In the lower province well-equipped creameries and butter factories are responsible for most of the output. Under this co-operative system, whereunder the farmers take their cream to the factories to be worked into butter, the industry provides more business for the banks, or it makes a more extensive use of banking facilities.

Minerals.

Quebec has important mineral deposits in the region of the Eastern Townships and the Notre Dame Mountains. Gold, copper, asbestos, chromic iron ore, serpentine, marble and roofing slates are all found in this section of the province. There is also in Quebec an abundance of clay eminently suitable for making bricks and tiles, and of limestone and sandstone which are extensively used for building purposes. Several large plants for making Portland cement are now in operation. A large portion of Northern Quebec—the territory lying towards Ungava and towards Labrador—is believed to contain valuable mineral deposits; but like parts of Northern Ontario it has not yet been well prospected. The brick and tile making industries are considerably in evidence, as are also the quarries. Gold and copper are not produced extensively. The asbestos mines have been figuring prominently in regard to mineral production. The centre of asbestos mining is at Thetford Mines. The deposits are the most extensive and the most productive in the world. Two of the largest companies in 1911 encountered serious financial troubles. These concerns are: Amalgamated

Asbestos Corporation, and Black Lake Consolidated Asbestos Company. Both are consolidations having head office in Montreal. The first-named was formed by American, Canadian, and British interests; the Black Lake Company is more largely owned by Canadians. The Belmina Consolidated Asbestos Company is a new concern with head office in Montreal and mines at Coleraine Station. The product of the mines is largely exported. The United States take the principal portion of the exports; Great Britain, Belgium, France and Germany also take Canadian asbestos. Most of the financing for the mining companies is done in Montreal; but they of course have working accounts at the branches located at the mines.

Forest Product.

In value of forest products Quebec ranks practically equal with Ontario; A large portion of the forest land is still uncleared, chiefly in the north. The predominating trees are pine, spruce, fir and the maple. Spruce bass-wood and poplar are used extensively in the manufacture of pulp and paper. Quebec City has long been the centre of the port trade in timber. A number of important companies have headquarters there; and furnish a large volume of business for the banks. One of these concerns—Price Bros. and Company—in 1911 owned or controlled 4,136,000 acres of timber and pulp lands, of which 128,000 acres were freehold and 4,008,000 acres were leasehold. The lands are situated north and south of the St. Lawrence and Saguenay Rivers. This company has nine sawmills—at Batiscan, Montmagny, Cap St. Ignace, Trois Saumons, Rimouski, Matane, Salmon Lake, St. Marguerite, and Grand Bay; three shingle mills—at Rimouski, Matane, and Salmon Lake;

a cardboard and paper mill at Jonquiere, and a ground-wood pulp mill at Rimouski.

The head office and mills of another important company—Laurentide Paper Co.—are at Grand Mere. This company also controls a large area of timber lands. The Canada Paper Company is another large Canadian concern with plant at Windsor Mills.

Pulp and Paper Mills.

In the past three or four years there has been a notable influx of American pulp and paper concerns. These companies have established pulp and paper mills at various points in Quebec. According to a Dominion Government bulletin recently issued there were in Canada in 1910 fifty-one pulp mills. Of these mills Quebec had twenty-five, Ontario, fifteen; Nova Scotia, six; New Brunswick, four; and British Columbia, one. This record shows the relative importance of Quebec's position.

With reference to the operations of the pulp and paper companies it should be said that their energies at the outset are directed towards procuring an adequate supply of pulp-wood for their mills. This pulp-wood they usually secure by means of operations in the woods, such as have been described already. They send their gangs of men into the woods in the winter; and the spruce, balsam, etc., logs are brought to the mills in the spring. They are there converted first into small cubical chips, afterwards into pulp and finally into paper. When the product of the mills is sold in the form of wood-pulp, the paper makers, principally in the United States, constitute the market. Print paper is sold largely to newspaper companies. So far as the operations of the ordinary lumber companies in Quebec are concerned, what was said in reference to lumbering in Ontario applies

to the case. In both provinces it is the French-Canadians who comprise the main part of the gangs working in the woods, of the river drivers, and of the mill workmen.

In the case of Quebec the timber finds its way to Quebec City, Rimouski, Murray Bay, Gaspe, and other ports. The products are exported to Great Britain, the United States and other countries. The Quebec lumber companies supply the banks with an exceedingly large volume of sterling exchange and New York funds.

Furs and Fish.

When Canada was a colony of France and for some time after the British secured possession, the fur trade provided the principal means by which a large portion of the inhabitants subsisted. Montreal was the chief centre of the trade. Although it has diminished very much in relative importance the trade in furs still exists. The furs are taken in the Laurentian Mountains and in the wooded districts of the north. The great French house, Revillon Freres, the Hudson's Bay Company, and Holt Renfrew and Co. are the principal buyers of furs.

The fishing industry is relatively more important. Along the Lower St. Lawrence, and on the Gulf coast, most of the settlers depend mainly on the fisheries for subsistence. Fishing is carried on by the individual settlers and by companies. Not many large vessels are employed. Quebec City and Montreal are the two principal markets for the fish consumed in Canada. Gaspe is an important export point.

The banks do not take an active part in the movement of fish to market until the product reaches the distributing or exporting houses. Individual fishermen require but little capital; they dispose of their product promptly to the fish companies. In some cases the companies supply provisions,

clothing, etc., to the settlers in the winter season, on credit; and during the succeeding summer the debtors are expected to bring their catch to the creditor companies to be applied on the balances showing in the books.

Manufactures.

The Province of Quebec is making very rapid progress in manufacturing. Some authorities consider that it will eventually surpass Ontario in value of manufacturing equipment and in yearly output. Quebec's advantage generally lies in its water power resources and in its possession of an ample supply of efficient labor. In the case of a number of industries another advantage exists in the proximity of unlimited supplies of raw materials. Then, of course, the two principal manufacturing centres—Montreal and Quebec City—are both seaports, able to use water transportation in drawing upon outside supplies of raw materials, and in exporting manufactured goods. Quebec's water-powers are unequalled in Canada. Power is provided to a practically limitless extent, by the falls of the Montmorenci, St. Maurice, St. Anne, the rapids on the St. Lawrence, the Richelieu and many other rivers.

Some of the principal manufacturing industries are: cotton mills, electrical works, rolling mills, boots and shoes, flour mills, rubber manufacturing, meat packing, car and foundry works, railway shops, cement works, carriage factories, sugar refineries, bridge works, wire manufacturing, power plants.

Industrial Consolidations.

The industrial consolidations of the past few years have left the control of many manufacturing plants throughout Ontario and Quebec in the hands of executives domiciled in Montreal. Thus the Canadian Cottons Limited controls

three mills in Cornwall, Ontario, one in Hamilton, one in Milltown, New Brunswick, and one in Marysville, N. B. The Canadian Steel Foundries, in addition to its plants in Point St. Charles and Longue Point on the Island of Montreal, controls the plant of the Ontario Iron and Steel Company at Welland, Ontario. The Canada Cement Company, in addition to two plants in Montreal, has one in Hull and one in Domburg, in Quebec Province; six plants in Ontario, viz: Belleville (2), Marlbank, Port Colborne, Lakefield, and Shallow Lake; and two in Alberta—Calgary and Exshaw.

Carriage Factories Limited controls plants at Brockville, Alexandria, and Oshawa in Ontario, as well as one in Montreal. Other large organizations, with chief executive office in Montreal, have plants at outside points in Quebec or in another province. Among these are: Dominion Textile Co., Canadian Consolidated Rubber Co., Ogilvie Flour Mills, Lake of the Woods Milling Co., Canada Car and Foundry Co., and various other concerns. While these large incorporated companies, operating by means of public issues of bonds or stocks, account for a considerable proportion of the manufacturing output, they do not by any means represent the full extent of Quebec's industrial equipment. Apart from them are many important manufacturing concerns operating as private companies. And outside of the Island of Montreal there are various manufacturing cities and towns. Quebec City has important boot and shoe factories and numerous other industries. Valleyfield has large cotton mills; Sherbrooke, St. Johns, St. Hyacinth, Shawinigan, Three Rivers, Hull, Granby, Drummondville, and other places also have extensive industrial works.

Banks and Manufacturers.

Relations of the manufacturing industry with the banks are continuously close. The general character of these

relations was indicated in dealing with Ontario's manufactures. To the description there given it is only necessary to add that the banks render valuable assistance to the manufacturers engaged in the export trade through advancing upon and collecting bills drawn on foreign countries and on British colonies. From customers possessing the requisite responsibility the banks will take bills drawn on any country that has banking facilities.

Exports of farm and dairy products proceed mostly in several main channels. The United Kingdom takes the principal portion. In the case of exports to Britain and to the Continent of Europe, the exporters re-imburse themselves by means of bills drawn mostly on London or Liverpool. Bills drawn on London are negotiable at any financial centre. Banks in any country stand ready to buy the bills on London offered by their customers. On the other hand, exports of manufactured goods are not concentrated into a few principal channels. The goods are sent to many different countries—in the Orient, the Antipodes, South America, Central America, South Africa. When Canadian manufacturers send merchandise to these countries, they reimburse themselves in some cases by drawing bills on a bank in London which accepts on behalf of the purchaser of the goods or his bankers. But in other cases it is necessary to draw bills direct on the purchasers or consignees. It is to be remembered that manufactured goods exported to foreign countries are often sold on time, whereas raw products are usually sold for cash. In the United States the export trade is handicapped, to a certain extent, by the lack of facilities for disposing of bills drawn on foreign points other than London, Berlin, Paris, and a few other European centres. The United States banks have not the machinery for dealing freely in these bills. However the Canadian banks will take

them from their responsible customers, and advance upon them and collect them—the customer, of course, being liable for the interest accruing until the bank effects collection.

But as yet Canada's exports of manufactured goods comprise only a few articles that are exported at all extensively.

In effecting collection of accounts for sales in the home market two methods are followed by the manufacturers. In the one case they place the business of selling their output in the hands of selling agents; and in the other they sell direct to the wholesale or retail trade. In the first case the manufacturer's liability account with his bank will consist largely of a big line of paper bearing his own name and that of the selling agents; and in the second the trade paper will perhaps consist of the obligations of parties in all parts of the Dominion.

Montreal's Import Business.

Besides being a great manufacturing centre and a great railway centre Montreal is the leading import port of Eastern Canada. Owing to its position as a great railway centre and its position at the head of ocean navigation in the St. Lawrence River, Montreal will probably always rank importantly among the North American ports.

Among Canada's imports the most important place is held by "iron and steel and manufactures of iron and steel" and "coal, coke, coal dust, etc." Again, among the iron and steel imports the most important place is taken by machines and machinery. These nearly all come from the United States. Most of the imports of machinery represent the equipment of new factories, or of additions to existing factories in various parts of Eastern Canada. Of course a very large volume of the imports of machinery enter at the

ports of Montreal and Toronto. Those cities are continually receiving new manufacturing enterprises ; and many of the companies located there, from time to time make large additions to their works. Then the machinery and equipment destined for other manufacturing towns and cities will, in some cases, be shipped into Canada through Montreal and Toronto. In not a few instances the incoming machines represent the equipment supplied by big American industrial concerns for the new branches established by them at convenient and advantageous points in the Dominion. In a case of that kind the importer would not be required to do much financing. The parent concern in the United States would merely debit its Canadian offspring with the cost or value of the equipment supplied ; in other words it would provide a portion of the capital, for the Canadian branch, in the form of machinery and equipment ; and in the case of a purchase of goods of this nature by a Canadian corporation, from an American manufacturer, it is not likely that the purchaser would be called upon to meet a draft on receipt of the goods. For such purchases are often made subject to a test of the machines. They often have to be installed and tested before the purchaser is able to tell whether they measure up to the terms of the contract. When satisfied as to the quality and capability of the article or articles, the importer will buy New York exchange and remit to his creditor. The American exporter may be quite satisfied as to the credit of the Canadian corporation ; and if he is not, a reference to the Canadian bankers of the intending purchaser will probably satisfy him on that point.

Imports of Iron, Steel and Coal.

So it will be seen that these imports of machines and machinery go to many points in Ontario, Quebec, and the Maritime Provinces. It should be noted that they constitute

an important part of the freight traffic of the railways. Pittsburg is the greatest iron and steel manufacturing centre in the United States ; and many of the machines and other iron and steel goods imported by Canada come from that city.

Apart from machines and machinery the principal imports of iron and steel and manufactures thereof are; agricultural implements, bar iron and steel, engines, iron in pigs, iron and steel ingots, iron and steel sheets, rolled iron and steel angles, steel rails and wire. The pig iron and the sheets are secured from the United Kingdom and the United States. All the others named come mostly from the United States. The principal Canadian purchasers of these goods are the railways, contractors, various iron and steel manufacturers, and companies engaged in construction work of all kinds ; the agricultural implements are largely purchased by the farmers in Western Canada. Most of these imports are subject to duty.

The coal imported by Canada is bituminous and anthracite—the former being subject to duty while the latter is free. Canada has no anthracite mines available for Eastern consumption ; and the American hard coal is in use all over Eastern Canada, and in Manitoba as household fuel. The anthracite coal mines are found principally in Pennsylvania—the mines being largely owned by several big railway companies. Imports of coal go to all the cities, towns and villages in Eastern Canada. The big dealers in the cities import the coal in large consignments ; and they, as well as the dealers in smaller places, often have occasion to ask their bankers for assistance in taking and paying for a heavy shipment.

Much of the bituminous coal also comes from Pennsylvania. This coal comes into Ontario more extensively

than into Quebec and the Maritime Provinces. It is a strong competitor of the coal produced by the Nova Scotia mines. In the neighborhood of the mines, and in New Brunswick and part of Quebec, the Nova Scotia coal holds the market, as the duty makes the American coal relatively more expensive. But, as one proceeds westward through Quebec, the expense of freight or transportation from the Nova Scotia mines becomes greater; and on shipments to points west of Montreal the freight charge reaches such figures as to make the cost of the Canadian coal exceed that of the American even after paying duty on the latter.

So the market for the bituminous coal imported is chiefly in Ontario. The railways are heavy buyers, as they use it in the locomotives and in the various manufacturing and repairing establishments maintained by them. Manufacturers throughout Ontario are also heavy buyers. It is to be noted however that in certain districts of Ontario, steam coal is being replaced by electrical power for manufacturing purposes.

Imports of Sugar and Cotton.

Sugar is another article figuring prominently in Canada's imports. Raw sugar comes from various countries—principally from the British West Indies, British Guiana, Germany, and San Domingo. The Canadian bank branches in the West Indies do valuable service in facilitating Canada's imports of sugar and other tropical products. The branches there buy the bills of exchange drawn by the West Indian shippers or exporters. Through providing a direct banking service between Canada and the West Indies, they lessen the cost of remittance both ways.

Halifax and Montreal are the two principal entry ports for the raw sugar. The big refining companies are the

importers. They manufacture the raw sugar into the various brands used domestically, and distribute their products among the wholesale grocers at the several trade centres. The wholesalers buy largely on time. The refiners draw, through their bankers, on the wholesale houses; the latter in turn draw upon their customers—the retailers. A large proportion of these drafts are discounted by the banks. Imports of molasses also come principally from the British West Indies; and Montreal and Halifax are the principal entry ports. Corn is another article of raw produce, which is heavily imported from the United States. Montreal imports annually a large amount of raw cotton for the cotton mills to manufacture into the various lines of cotton goods. Imports of cotton are to be paid for in cash; and the mills require extensive advances in the fall and winter when the United States cotton crop is moving to market. The cotton mills sell to the wholesale dry goods trade for cash and on time.

Besides the raw cotton, Canada imports a considerable quantity of cotton yarn, clothing, fabrics, sheets, handkerchiefs, etc. These come nearly altogether from England.

Other Imports.

The import of automobiles is rapidly increasing. These, of course, are shipped mostly to the leading cities—the United States being the principal source of supply.

Among the other articles taken chiefly from the United States may be mentioned carriages and carts (other than automobiles) electrical apparatus, boot and shoes, brass and copper and manufactures thereof, tobacco, furniture, lumber, cordage, drugs, gums, etc., green fruits, gutta percha caoutchouc and india rubber, mineral oils, meats, and from the British Isles are secured the following lines: jute cloth,

furs and skins, hats and caps, precious stones, tea, various kinds of woolen cloths, clothing, fabrics, knitted goods.

Coffee imports are from Brazil; books and periodicals from the United States and Britain; earthenware and china from Great Britain, United States, and Germany; toys and dolls from Germany; nuts and dried fruits from United States, France and Greece; glass and manufactures thereof from Belgium, United States, Britain and other countries; hides and skins from the United States and Argentine; silks from Britain, France and Switzerland; spirits and wine from Britain and France. These comprise the principal imports of Canada; and for most of them Montreal and Toronto are the chief entry ports. Nearly every line of imports mentioned above, as well as many other lines not mentioned, occasion business for the banks at the various centres. A bank may assist a Canadian importer to secure merchandise in other countries through giving its commercial credits; it then perhaps makes an advance to enable the importer to pay the custom's duties. It may lend its funds directly on the security of the merchandise imported. Afterwards it assists the importer to collect the proceeds of sales made to retailers and other purchasers in all parts of Canada. The bank may, and usually does, discount the bills drawn by the importer on his debtors, and so enables him to get back his capital at once on shipping the goods.

Montreal's Financial Business.

Finally it should be said that Montreal is as yet the leading financial centre of the Dominion. Although Toronto has more banking head offices than Montreal, the latter city is the ultimate clearing house for the Dominion. Some of the largest banks with head office in Toronto are accustomed to carry at the Montreal branch reserves of specie and legal

tender notes larger than the reserves carried at the Toronto branch. When large amounts of gold coin are brought into Canada from New York, the shipments are usually received by Montreal. So the banks in Montreal, like the banks in Toronto, have a heavy volume of financial business to transact. They have the accounts of banks not having branch representation in the city, and of banks in the United States, the United Kingdom and other countries. They have accounts of life and fire insurance companies—Canadian, British, and American ; of trust companies, railway corporations, steamship lines, great manufacturing companies, wholesalers, importers and exporters, bond houses and stock exchange firms ; also of many British and foreign corporations having extensive business relations with Canada.

It will suffice to give a brief outline of the banking business supplied by the life and fire insurance companies. Life and fire insurance companies generally carry heavy balances at credit. A life company may overdraw its account at the bank for the purpose of taking up a big line of investment securities ; but the overdraft will be but temporary, as the receipts of premium income will, in all probability, speedily restore the balance to the credit side.

Receipts of a life company consist mainly of premium income and of interest on investment. There may also be rentals. The premium income is represented by drafts and cheques sent to the head office of the company by the agents or by the policy holders. Interest income is represented by collection of coupons and dividends. So the daily deposit of a big life insurance company will consist of a lengthy list of cheques and drafts, and sometimes of coupons, the items being payable at many points in the Dominion and outside. Disbursements are affected by cheque on the banks. Payments of death claims and matured endowments account

for a considerable part of the disbursements. And the investment of the company's surplus funds—in mortgages, bonds, debentures and stocks—necessitate the drawing of large cheques on the bank accounts.

There has been latterly a very strong demand from Western Canada for mortgage loans at high rates of interest. Thus has been induced a particularly heavy movement of life insurance funds into this class of investment.

The receipts of a fire insurance company also consist chiefly of premium income and interest on investments. However the policy holders do not remit to the central office. Premium receipts at the central office consist of remittances by agents and general agents, and interest receipts are represented by coupons and dividends. Disbursements consist of fire losses paid and investments.

In case of both fire and life companies, salaries of employees are paid by cheque ; but these disbursements are not nearly as important as disbursements made for payment of claims and in purchase of securities.

EXAMINATION QUESTIONS

BANK GEOGRAPHY

LESSON 4.

1. (a) Explain the system of Provincial taxes levied on banks in Quebec.
(b) Tell how the banking business of the Dominion and Provincial Governments is distributed in Quebec.
2. (a) In what respects does agriculture in Quebec differ from agriculture in Ontario?
(b) How is the Quebec tobacco crop financed?
3. (a) Where does the dairy industry in Quebec centre?
(b) Describe the route taken by the products.
4. What minerals are found in Quebec ; and which of them are extensively produced ?
5. Describe the process by which the pulp and paper industry of Quebec is financed.
6. In regard to manufacturing, what especial advantages does Quebec Province possess ?
7. Tell what has been chiefly responsible for Canada's heavy imports of iron and steel and manufactures thereof.
8. How are Montreal's imports of sugar and cotton financed ?
9. What will be the nature of the business transacted with its bankers by a big Montreal importing house?
10. Enumerate the various sources whence a big life insurance company derives the funds deposited in its bank account ; and also tell what its disbursements will represent.

BANK GEOGRAPHY

LESSON 5



.. BY ..

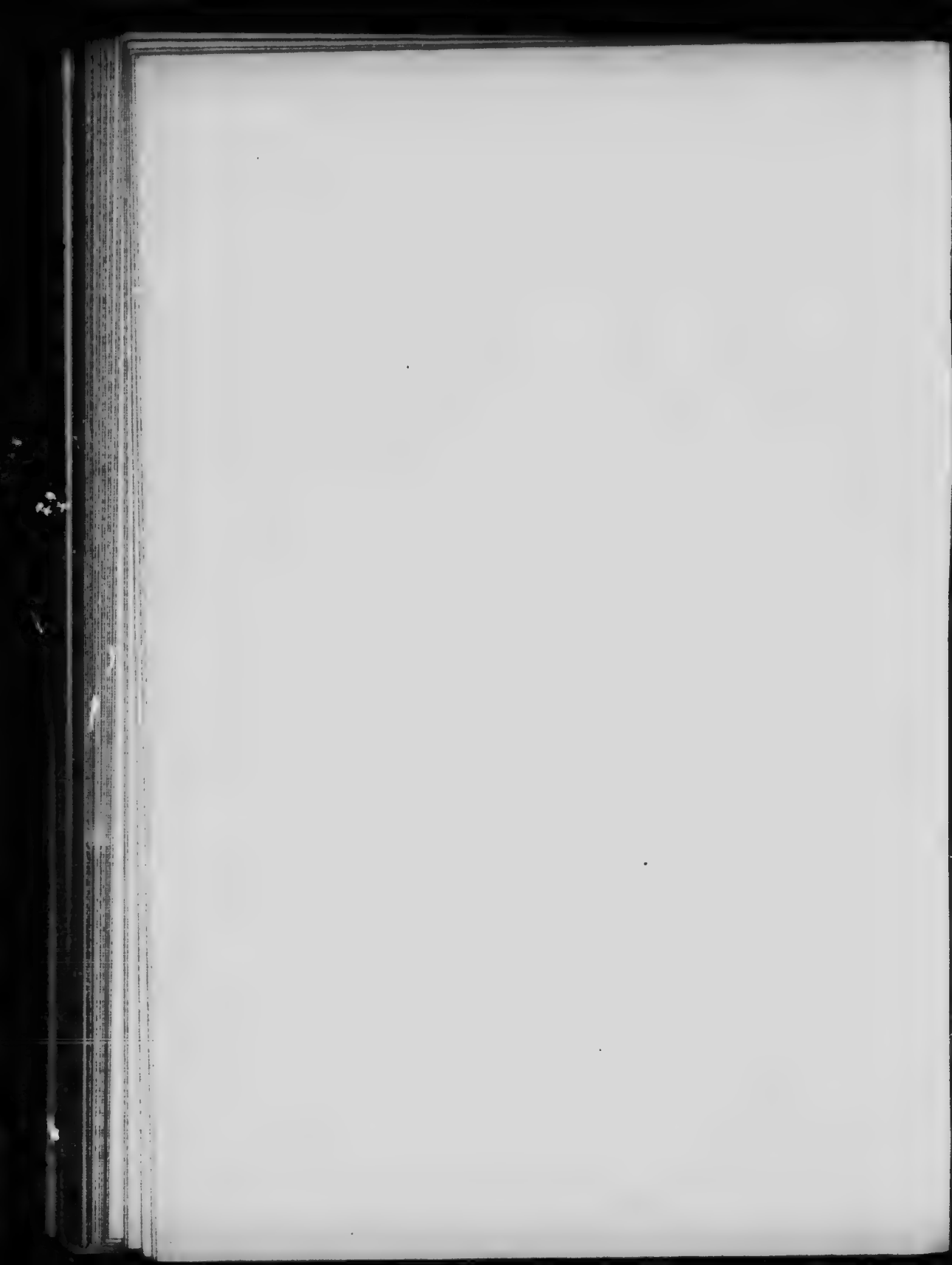
H. M. P. ECKARDT

*Author of "Manual of Canadian Banking,"
"A Rational Banking System."*



.. THE ..

**SHAW CORRESPONDENCE SCHOOL
TORONTO, CANADA.**



BANK GEOGRAPHY

LESSON 5.

THE MARITIME PROVINCES.

Prince Edward Island—Branch Distribution and Provincial Taxes.

At the end of 1911 five chartered banks had branches in Prince Edward Island—the distribution of their offices being as follows :

Canadian Bank of Commerce.....	5 Branches
Bank of New Brunswick.....	4 "
Royal Bank of Canada.....	3 "
Bank of Nova Scotia.....	2 "
Bank of Montreal.....	1 Branch
15 Branches	

The Government of Prince Edward Island taxes the banks on the volume of business done—the rate of the annual tax being one-fifteenth of one per cent. on the average of loans and discounts in the province. Affidavits are required twice a year, and the minimum tax for each bank is \$1,000. This tax permits any bank to open any number of branches on the Island.

Government Business.

The Bank of Nova Scotia acts as banker for the Dominion Government in the island province. It receives daily remittances from the postmasters on the Island, from the collectors of customs, inland revenue and other Dominion Government departments. These deposits are immediately remitted to the Receiver General at Ottawa.

In Charlottetown there is a branch of the Dominion Government Savings Bank which holds large deposits.

Depositors, upon withdrawing funds are given cheques on the Bank of Nova Scotia, Charlottetown. At the end of each day the bank returns the paid cheques to the Assistant Receiver General in Charlottetown, and he gives in exchange his draft on the Receiver General, Ottawa, covering the total.

The bank of Montreal acts as banker for the Provincial Government. Practically the entire issue of Provincial Government bonds is held in Canada ; so the Treasurer does not require to buy sterling exchange heavily for interest payments. The Province holds a certain amount of funds in the form of deposits from private individuals. These deposits at the end of 1911 approximated \$85,000. The account of the province with the Bank of Montreal usually takes the form of an overdraft.

Agriculture.

The inhabitants of Prince Edward Island are chiefly of British origin—the Scots being most numerous. There are a few French who migrated from Acadia, as Nova Scotia was formerly called. Agriculture and the fisheries are the chief occupations of the people. The population of the Island has been steadily declining. A powerful attraction is exerted upon the younger people of both sexes by the Canadian West and by the United States. In 1891 the population was 109,078 ; in 1901, 103,259 ; and in 1911, 93,722. The accounts of the Prince Edward Island farmers are regarded by the banks as peculiarly desirable. The farmers are nearly all well-to-do ; a very large proportion of the total number own their farms. Sheep-raising is extensively carried on ; the province leads the Dominion in the average number of sheep per farm—although the average farm is unusually small. In average value of farm products per acre Prince Edward Island is second to Ontario only. Oats,

potatoes, turnips and other roots, wheat and other cereals are grown. Owing to the great productivity of the farms and the excellent financial position of the average farmer, the Island furnishes large deposits. In most of the branches deposits exceed the loans and discounts. On the other hand the distributing and wholesale houses in Charlottetown appear as borrowers; and the fish companies also borrow. Then the banks, of course, buy the bills of the exporters and make advances to them on agricultural produce purchased by them.

A considerable amount of butter and cheese is manufactured, especially since the co-operative factories were introduced in the "nineties." About one-half of the total product of vegetables and animal food is exported—the principal markets being Cape Breton, Newfoundland and the United States. The large industrial and mining establishments in Nova Scotia furnish a good market for the products of the Island farmers.

Fisheries and Manufactures.

Although the fisheries of Prince Edward Island are small in value in comparison with those of Nova Scotia and New Brunswick, they are very important when considered in relation to the total population. Lobsters comprise nearly one-half of the value of the catch. Oysters, herring, cod, mackeral and smelts are all caught in large quantities. The oyster beds are showing signs of exhaustion. Prince Edward Island is not strong in manufactures. In connection with the fishery industry there are a number of packing or canning factories near Charlottetown; and there are also pork packing establishments in the same neighborhood. In a small way the manufacture of boots and shoes, tobacco, condensed milk, is carried on; but nearly all of the manu-

factured goods used by the Islanders are supplied by the other provinces. Formerly there was a lumbering industry of some consequence; and in the days of wooden ships Prince Edward Island engaged extensively in shipbuilding. But that industry is now practically extinct. The woods found in the Province are: birch, beech, maple, pine, spruce, cedar and other trees.

A peculiarity of this province is seen in the unsatisfactory nature of the communications with the outside world for some three months of every year—from December till towards the end of March. The Northumberland Strait which separates the Island from Nova Scotia and New Brunswick, is then closed by ice. This fact has considerable influence upon the business of the province. After the close of navigation the movement of produce proceeds much more slowly; in some cases the wholesale and retail trades are obliged to import supplies freely in the fall and store them against the season when the strait is difficult of passage. This policy necessitates extensive loans from the banks. In reference to the export of farm produce, while perhaps the greater parts of the year's yield is exported prior to the closing of the strait, there is always a considerable quantity requiring to be held in storage probably against bank loans, until the ensuing spring.

New Brunswick—Distribution of Branches and Provincial Taxes.

At the end of 1911, nine banks had branch representation in New Brunswick. The branch distribution was as follows;

Bank of New Brunswick	19	Branches
Royal Bank of Canada.....	16	"
Bank of Nova Scotia	15	"
Bank of Montreal.....	12	"

Bank of British North America	6 Branches
Banque Provinciale du Canada	2 "
Union Bank of Canada	2 "
Merchants Bank of Canada	1 Branch
Canadian Bank of Commerce	1 "
74 Branches	

The Government of New Brunswick taxes the banks having branches in the province, annually as follows :

All banks doing business in the City of St. John, with capital of \$500,000 and upwards, having organization within the province and head office in that city, \$1,000, and for each additional office in the province, including the principal office, \$100 ; all banks doing business in St. John, with capital of \$1,000,000 and upwards, having organization without the province and an office in that city, \$1,000, and for each additional office in the province including the principal office in the province, \$100 ; all banks with capital of \$500,000 and upwards but less than \$1,000,000, having organization without the province with an office in St. John, \$750, and for each additional office in the province, \$100 ; all banks with capital of \$500,000 and upwards but less than \$1,000,000, having organization without the province and not having an office in St. John, \$500, (and with capital \$1,000,000 and upwards, \$1,000), and for each office in the province, \$100. It is provided that only one branch of any bank shall be taxed in any city or town ; and no branch hereafter established in any city or town shall be taxed until two years from the first day of June following the opening of such branch.

Government Business.

Speaking generally the Bank of Montreal acts as banker for the Dominion Government as regards collections of customs, inland revenue, post office, etc., wherever it has

branches. Where it is not represented the bank longest established in the town or city acts as Government bank. There are, however, two branches of the Dominion Government Savings Bank in the Province—at St. John and at Newcastle. When depositors at the Newcastle Branch withdraw funds they are given drafts on the Assistant Receiver General at St. John, and the chartered bank branches in Newcastle cash these drafts. In the case of depositors in the St. John Branch upon withdrawal of their funds they are given cheques on the Bank of New Brunswick. The custom as to payment of money orders by the various post offices is the same as in the other provinces; and withdrawals by depositors keeping accounts with the Post Office Savings Bank are met, as elsewhere, by cheque on the Bank of Montreal, Ottawa.

The business of the Provincial Government is about equally divided between the Bank of Montreal and the Bank of British North America, but in St. John City there is one Government account which is kept at the Bank of New Brunswick.

Occasionally the Provincial Treasury borrows small amounts by way of overdraft from the Bank of Montreal or the British Bank; at times its balance on deposit is heavy, particularly when the semi-annual subsidy from the Dominion Government is received. The Treasury also requires to purchase sterling exchange amounting to £20,000 or £30,000 on occasions in order to meet interest on Provincial securities held in the United Kingdom. Tenders are not asked for, and the purchases are always made from the two banks carrying the main Government account.

Lumbering.

It will be seen from the table of branches that the bulk of the business is in the hands of four banks—the New

Brunswick, Royal, Nova Scotia and Montreal. As lumbering and fishing are the predominating industries, the banks are necessarily in close contact with them. The physical features of New Brunswick are of such a nature as to enable its inhabitants to prosecute both of these industries to great advantage. Nearly the whole of the northern section of the Province is covered by forests. Numerous large rivers flow through them emptying into the Gulf of St. Lawrence or Bay of Fundy, in nearly every case at points where excellent harbors exist. This, of course, facilitates the task of the lumbermen in assembling their logs and exporting their products. The principal points at which the lumber business is financed are St. John, Campbellton, Newcastle, Fredericton, Woodstock, Chatham, Edmundston. At all of these points the banks have large lumbering accounts. The process of taking the logs from the woods is similar to that followed in Ontario and Quebec. In all of these provinces the French-Canadians comprise the greater part of the gangs of men sent into the bush in the winter months. The banking towns that finance the industry send currency to the camps to pay wages; they also provide the lumber companies with the funds required to purchase supplies and meet the other expenses incidental to getting out the timber and sawing or manufacturing it. Loans by the banks are liquidated with the export of the product of the mills. Most of the exchange created as a result of the export trade is negotiated at St. John. Exports of lumber go to Europe, South America, the United States, the West Indies. Shipments to Europe are financed chiefly by means of sterling exchange; bills purchased by the banks are in many cases sold in New York. Exports to the United States and South America are also largely financed in New York. The black spruce is the most extensively found. It is in demand, not only for

export purposes, but also for home manufacture into wood-pulp. Hemlock, cedar, birch, beech, oak and ash are also very plentiful.

Fisheries, Agriculture and Manufactures.

The fisheries are not as valuable as are those of the neighboring province of Nova Scotia—the New Brunswick yield being less than half that secured by Nova Scotia. But the fishery industry affords employment to a large proportion of the population. The most important shippers of fish are; A. & R. Loggie and W. S. Loggie & Co., Ltd., of Newcastle and Chatham. Herring, salmon, lobsters, sardines, and cod constitute the chief catch. The industry centers largely in the counties of Gloucester and Charlotte. There are lobster-canning factories and other factories for packing and canning fish located at various points. The two firms mentioned have freezing plants and canning and drying houses all along the north shore. The sardine industry, at the lower end of the Bay of Fundy, is growing steadily in importance.

It will be understood that as the lumber industry has such a prominent place, New Brunswick's agriculture must necessarily be of minor importance. However, there are some very prosperous farming districts in the river valleys and particularly along the Bay of Fundy. Sussex is about the centre of the most important farming district. The farms are of 100 to 240 acres; the crops are wheat, oats, buckwheat, barley and other grains. Sheep and cattle are raised, and the dairy industry is being fostered by the Provincial Government. However, it is recognized that farming in this province will never reach the development obtaining in the other provinces, largely owing to the physical features of the country. As in the case of Prince

Edward Island and Nova Scotia, the young men are attracted by the advantages offered by the United States and the Canadian West.

As a producer of minerals New Brunswick has not an important place. It has coal, limestone, gypsum, gold, iron, copper, lead, zinc and plumbago. The coal mines are worked entirely for local consumption. The seams are numerous; and the mining industry centers in two districts—one north of Moncton, and the other east of Fredericton. The principal limestone quarries are near St. John. The other minerals do not amount to much.

As might be expected the manufacturing industries of the Province are, to a large extent, connected with lumbering. Saw mills, shingle mills, pulp mills and furniture manufacturing establishments are in evidence. There are also cotton mills at Milltown and Marysville; and other industries at various cities, but New Brunswick does not figure conspicuously in the manufacturing business. The shipping trade of St. John is large. St. John is the winter port of the Canadian Pacific Railway; the Intercolonial also uses it as a port. The Dominion Government is planning to spend a very large amount in harbor improvements here: when these expenditures are made the importance of the port will be considerably increased.

Nova Scotia—Distribution of Branches and Provincial Taxes.

The bank branches in Nova Scotia as at the end of 1911 were:

Royal Bank of Canada	51 Branches
Bank of Nova Scotia	27 "
Canadian Bank of Commerce.....	13 "
Bank of Montreal.....	12 "

Bank of New Brunswick.....	5 Branches
Bank of British North America	1 Branch
Merchants Bank of Canada	1 "
Union Bank of Canada.....	1 "
111 Branches	

Up to the end of 1911 the Government of Nova Scotia levied no special taxes on banks having branches in the province. At the time of writing these lessons (Spring of 1912) the cabinet is said to be considering the imposition of taxes somewhat similar to those obtaining in New Brunswick.

Government Business.

No single bank acts as banker to the Dominion Government in the Province of Nova Scotia. The Customs and Inland Revenue accounts are kept with the Bank of Montreal. The Dominion Government Savings Bank accounts are kept with the Royal Bank of Canada and the Bank of Nova Scotia, month about. The Post Office Savings Bank account is kept with the Bank of Nova Scotia. Surplus funds are sometimes deposited with the Bank of Montreal.

Besides Halifax there are, in the province, eleven other branches of the Dominion Government Savings Bank. At all points outside of Halifax withdrawals are met by drafts on the Assistant Receiver General, Halifax, who reimburses himself by drawing on the Ottawa Branch of the Bank of Nova Scotia or Royal Bank of Canada, according to month. Depositors in Halifax are paid by cheque on the Bank of Nova Scotia or Royal Bank of Canada, according to month.

In Halifax the Post Office usually pays orders in cash, but if the till happens to be light the order is stamped payable at the Bank of Nova Scotia and the holder directed to go there for payment. If an order exceeding \$40 is drawn

on a country point, the Post Office Inspector is notified and he remits the cash to enable the Postmaster to pay the order.

Post Office orders are largely deposited by the Halifax public in the banks, who list them, and sign a declaration that orders as per list for such and such an amount have been deposited with the Postmaster. This declaration is accepted as a cash item by the Bank of Nova Scotia through the clearing house.

The Provincial Treasurer's account is kept with the Royal Bank of Canada and the Canadian Bank of Commerce. No special arrangement exists as to proportion of division. Deposits are made and sums withdrawn as it suits the Treasurer. On some occasions the Provincial Treasury appears as purchaser of sterling exchange. Usually all banks are invited to tender, but preference is given to the Treasury's regular bankers. The province has arrangements with its bankers regarding overdrafts in current account; and often makes use of the privilege of overdrawing.

Fisheries.

Owing to its exceptional position Nova Scotia stands very much in the foreground in Canada's fishing industry. For the year ended March 31st, 1911, the value of the product of the fisheries of Nova Scotia is given as \$10,119,243, or more than one-third of the value of the fishery product of the whole Dominion. British Columbia is the only province which challenges Nova Scotia for the first place. The fish taken are: cod, haddock, hake, pollock, mackerel, herring, salmon and lobsters. The four first named are taken either with hook and line or with trawls; mackerel, herring and salmon, in nets or seines; and lobsters in cages or traps.

The industry is divided into the off-shore fishery and the deep sea or "Bank" fishery. Small boats and vessels running from one to twenty-five tons are engaged in the off-shore fishery. The deep-sea fishery is carried on by vessels of one hundred tons with crews of twenty-five men. They fish on the Newfoundland banks, hence the name "Bankers." The boats for deep-sea fishing are fitted out in Lunenburg, Digby, Yarmouth and other ports. Prominent among the Nova Scotia fishery companies are: the Maritime Fish Corporation, of Montreal; Robin, Jones and Whitman, Ltd., of Halifax; Halifax Cold Storage Co., of Halifax.

The season opens 1st April and closes in December. When the larger vessels are fitted out in the spring the men get advances from the fish companies in goods or cash, and when the voyage is ended they settle up. In most cases the men who go in these larger vessels—the "Bankers"—are partners in the venture, and share to the extent of 50% in the net result of the voyage. As the industry is prospering operations are, however, conducted more and more on a cash basis. It is to be remembered that the Dominion Government pays a cash bounty on the fish caught.

Bank branches located in the principal centres of the industry assist it through advancing against warehouse receipts, bills of lading and other security. Fresh fish is sold to local buyers and by them distributed to the trade in Canada and the United States. Shipments of fish sold in Canada and the United States are realized by means of drafts at sight, three days' sight, or thirty days' sight, according to arrangement. Dry and pickled salt fish when cured is likewise sold to local buyers and by them sold or shipped on consignment to different countries: Central and South America, West Indies, United States, Europe. Very little of the salted fish is consumed in Canada. For the shipments

consigned to Europe, West Indies, Central and South America, bills of exchange are drawn—usually at three days' sight—with documents attached. Sometimes the consignees supply London credits, in which case the bills are drawn on London. The banks are thus required to advance upon and collect a large number of bills and drafts covering these shipments. Parties connected with the fishery industry also contribute importantly to the deposit accounts. In addition to the men employed in actual fishing operations there are many engaged in the lobster canneries and kindred industries.

Minerals and Manufactures.

Nova Scotia also ranks importantly in mineral production. The chief minerals of the province are: coal, iron, gold and gypsum. The gold mines do not amount to much, as the gold usually cost more than it is worth. The gold area extends all along the Atlantic Coast. Coal mining is, however, very important. The centres of the industry are: Sydney, Springhill, Acadia Mines, Stellarton, Glace Bay. Iron is produced largely in the neighborhood of Springhill and Stellarton. Most of the iron ore used by the Dominion Iron and Steel Co., and by the Nova Scotia Steel and Coal Co., is imported from Newfoundland. New Glasgow is the seat of the Nova Scotia Steel and Coal Co. Nova Scotia has also extensive quarries of easily worked limestone, the product of which is largely used in the blast furnaces. The coal is bituminous, and the seams are of great thickness. Practically half the output of the province is mined in the vicinity of Sydney. The royalties on coal provide the Provincial Government with a considerable part of its revenues.

The output of the coal mines is sold in the Maritime Provinces and in Quebec as far west as Montreal. Beyond Montreal the item of freight charges prevents it from displacing the bituminous coal from the Pennsylvania fields.

In Nova Scotia coal mining is closely connected with the iron and steel industry. The principal iron and steel manufacturing companies have their own coal mines as well as their own iron ore deposits. A considerable part of the coal produced in the province is made into coke for use in the blast furnaces which are much in evidence at New Glasgow, Sydney and North Sydney. The Dominion Steel Corporation is the most prominent entity engaged in the business of coal and iron mining and manufacture of iron and steel products. This concern is what is known as a holding company. It does not itself engage in mining or manufacturing, but it owns practically the whole of the outstanding common stock of the Dominion Coal Co., and the Dominion Iron and Steel Co. It has also purchased the whole of the common stock of the Cumberland Railway and Coal Co., which operates at Springhill. The coal mines controlled by the Corporation are at Glace Bay in Cape Breton, and at Springhill; the iron manufacturing plants and blast furnaces at Sydney. The Nova Scotia Steel and Coal Co. has mines at Sydney Mines, and manufacturing plants at New Glasgow and at Sydney Mines. The iron mines of both of these companies are in Belle Island, Newfoundland.

Financing the Big Companies.

These big companies of mixed character, engaged in mining and manufacturing, require large supplies of capital which must be secured through issue of bonds and stock. Consequently most of their financing is done in Montreal.

They also require very large temporary loans, sometimes considerably in excess of a million dollars. The banks taking the principal part in financing them are: the Montreal, Commerce, Royal and Nova Scotia. Through the banking accounts of the companies are passed the pay cheques, for wages, and deposits representing proceeds of drafts or bills of exchange for goods sold. During the construction and equipment of new manufacturing units, there are heavy debits to meet the cost of materials, machinery and equipment. Also the cheques payable to the Province of Nova Scotia, on account of royalty on coal, reach large proportions. The rate is $12\frac{1}{2}$ cents per ton of coal sold. Charges for freight and insurance are heavy. Thus the Nova Scotia Steel and Coal Co. in the year ending December 31st, 1911 paid the Provincial Treasurer in royalties \$70,788, the Intercolonial Railway, for freight carried by itself and other railways, \$374,543. The amount paid in wages was \$3,044,903, or an average of \$253,742 per month. The payment of dividends and interest also requires large sums.

There are various other manufacturers. Several sugar refineries are in operation. One of the largest plants, that of the Acadia Sugar Refining Company near Halifax, was burned at the beginning of 1912. The refiners import the raw sugar from the West Indies and British Guiana, and distribute the manufactured article throughout the Dominion by means of the wholesale trade.

Amherst is an important manufacturing centre. The Canadian Car and Foundry Company has a large plant there, formerly known as the Rhodes-Curry Co. The Robb Engine Works also are in Amherst. At Truro are the headquarters of the Stanfield's Woolen Mills.

Shipbuilding and Import Trade.

In the days of wooden ships Nova Scotia attained great

prominence in shipbuilding. Prior to 1880 the province had the largest tonnage, in proportion to population, in the world. New Glasgow, Yarmouth, Liverpool and Parrsboro, were important shipbuilding centres. It is said of the three last named places that they are now living on the money made in olden days from the shipbuilding industry. However that industry has declined until it is now of little consequence.

Halifax also is a big manufacturing centre, but the city contributes more importantly to the business of the banks by means of its trade with the West Indies, the United States, South America and Europe. In financing this trade the Halifax banks purchase and sell large amounts of exchange. The constant stream of imports from the West Indies—sugar, rum, molasses, fruit, etc.—occasions many drafts or bills on the Halifax importers. Many of these bills are purchased originally by the branches of the Royal Bank of Canada and the Bank of Nova Scotia in the West Indies. In the case of some of the imports at Halifax the importers are required to supply London credits—that is they must get from their bankers in Halifax commercial credits authorizing the foreign or colonial exporter to draw on a London bank to cover the shipment of goods to Halifax. When that is done the Halifax bankers of the importer are required to provide sterling exchange to pay for the importation.

And, on the other hand, the exports of fish, lumber, hides, etc., are responsible for the drawing of bills of exchange, many of which are collected by the Canadian bank branches in the West Indies.

Lumbering and Agriculture.

In the early days of Nova Scotia, lumbering was the chief industry of the province; but the forests have been

mostly cut. As in New Brunswick the physical lay-out of the country is favorable for lumbering. Numerous small lakes and rivers afford the means of getting the logs easily and cheaply to the mills and to the seaports. About twenty-five or thirty per cent. of the former forest area is still available for lumbering purposes. Spruce deals comprise the chief export. They are sent almost altogether from Halifax to the United Kingdom. A number of pulp and paper mills have been established. Some have not had much success ; but the prospects of the industry have greatly improved since the heavy demand from the United States for Canadian pulp and paper set in. The lumber industry centers chiefly in Cumberland, Guysborough and Colchester counties.

Nova Scotia is another province in which agriculture is overshadowed by other industries. The attention given to fishing, lumbering, shipping, mining, etc., has made agriculture of less relative importance. Mixed farming is carried on, and the dairy industry has been steadily developed. But the outstanding feature of Nova Scotia's agriculture is the fruit production of the Annapolis valley. Apples and peaches are the principal crop. Throughout the district apple warehouses are plentiful. Many of them were put up by English companies handling the apple exports. Exports are largely to England. Sterling bills are drawn against the shipments. The fruit is also sent to Montreal and other points in Eastern Canada.

EXAMINATION QUESTIONS

BANK GEOGRAPHY

LESSON 5.

1. Name the banks carrying the Dominion Government's business, and also those carrying the Provincial Government's accounts respectively in P. E. Island, New Brunswick and Nova Scotia.

2. Describe the general nature of the business done by the banks in Prince Edward Island, noting especially any features peculiar to the province.

3. (a) At what places does New Brunswick's lumber business centre? and tell why the province is specially adapted for lumbering.

(b) Where do the lumber exports go and how are they financed?

4. (a) Tell where the New Brunswick fishery industry centres. Name the principal fish products.

(b) Why is agriculture of small importance, comparatively, in this province?

5. Describe the method of financing the Nova Scotian fishery industry; tell where the exports go and how financed.

6. Name the centres of the Nova Scotian coal mining industry; and enumerate the principal markets.

7. What banks take the principal part in financing the Dominion Iron and Steel Co and the Nova Scotia Steel and Coal Co.? And tell what the bank accounts of these companies would be like.

8. Where do these companies get the greater part of their iron ore? Where and in what forms do they dispose of their iron and steel products?

BANK GEOGRAPHY

LESSON 6



.. BY ..

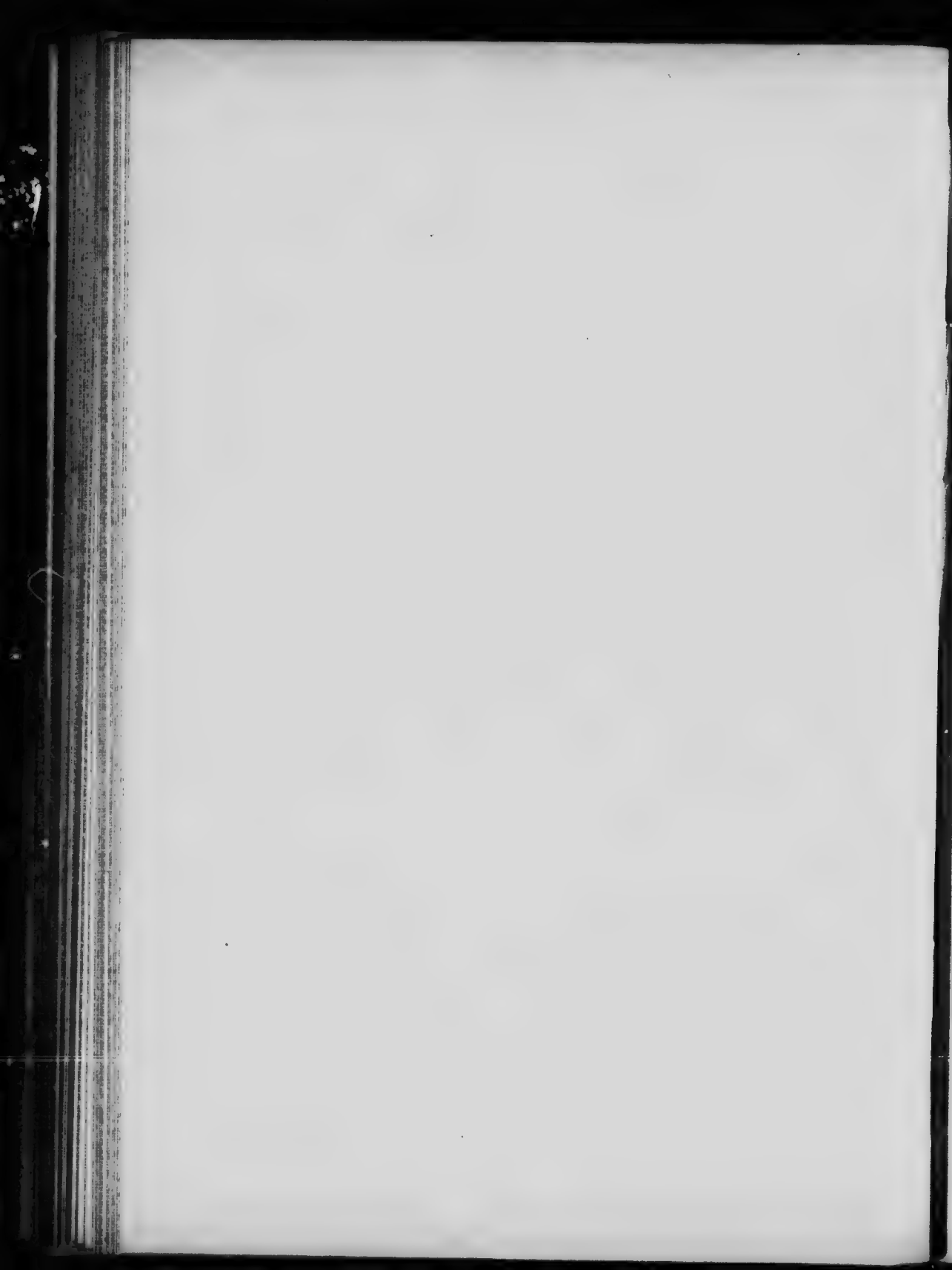
H. M. P. ECKARDT

*Author of "Manual of Canadian Banking,"
"A Rational Banking System."*



.. THE ..

**SHAW CORRESPONDENCE SCHOOL
TORONTO, CANADA.**



BANK GEOGRAPHY

LESSON 6.

MANITOBA and SASKATCHEWAN.

Manitoba—Distribution of Branches and Provincial Taxes.

Chartered bank branches in Manitoba, as at the end of 1911 were as follows :

Union Bank of Canada.....	39 Branches
Bank of Hamilton.....	29 "
Canadian Bank of Commerce.....	22 "
Northern Crown Bank.....	20 "
Merchants Bank of Canada	16 "
Bank of Montreal.....	9 "
Bank of Toronto	8 "
Dominion Bank.....	8 "
Bank of British North America.....	7 "
Bank of Ottawa.....	7 "
Home Bank of Canada	6 "
Imperial Bank of Canada.....	5 "
Royal Bank of Canada.....	4 "
Banque d'Hochelaga.....	4 "
Sterling Bank of Canada.....	3 "
Molson's Bank.....	2 "
Quebec Bank.....	1 Branch
Bank of Nova Scotia	1 "
Eastern Township's Bank	1 "
Standard Bank of Canada.....	1 "
Traders Bank of Canada.....	1 "

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The Government of Manitoba levies annual taxation as follows, on banks having branches in the province.

On the main or principal office in the province, \$800 ; on the next four offices, \$200 each ; on the next ten offices, \$100 each.

Government Business.

The Merchants Bank of Canada acts as banker for the Dominion Government in Manitoba. All Customs, Dominion Lands, Inland Revenue, Militia and other receipts of the Federal Government are deposited daily with the Merchants Bank of Canada, Winnipeg, for transmission to the Receiver General, Ottawa. Post office money orders and postal notes are cleared in Winnipeg, as described in the case of Halifax. Withdrawals from the Winnipeg Branch of the Dominion Government Savings Bank are met by cheques on the Merchants Bank. At points in Manitoba, other than Winnipeg, the bank first established has the Government business. In the case of money orders drawn on points outside Winnipeg, where there is no chartered bank, the Post Office Inspector requests the Merchants Bank to send cash, if the post office drawn upon has not sufficient funds to pay. Withdrawals from the Post Office Savings Bank are met by cheque on the Bank of Montreal, Ottawa.

The Provincial Government business is divided among a number of banks: the Union Bank of Canada, Imperial Bank of Canada, Northern Crown Bank, Bank of Hamilton, Canadian Bank of Commerce, Molsons Bank, Merchants Bank of Canada and others. But the Union Bank of Canada has the predominating share. The Provincial Treasury is an extensive purchaser of sterling exchange, required for the purpose of meeting coupons and interest-bearing debentures payable in England. The Province carries large balances on deposit. It borrows from its bankers in Winnipeg, on occasions but not frequently.

Agriculture.

In Manitoba, agriculture has the front of the stage. The bank offices in Winnipeg comprise a little more than

one-fifth of the total number in the province. Taking the offices in Winnipeg and Brandon, they comprise roughly one-fourth of the branches operated in the province. But the banks in Brandon transact a large business directly with the farmers. So it can be said that agriculture is responsible for a large proportion of the business of the banks at all points outside Winnipeg. It is also responsible, directly and indirectly, for a vast amount of the business transacted in Winnipeg. So in this lesson the plan will be to describe, first the agricultural industry, which has its own peculiar features, and then to discuss the special types of business encountered at the financial centre of the province.

The farmers give their attention principally to the growing of cereals ; and wheat is the great staple. Oats, barley, flax, potatoes and other roots are also produced ; but all of them are crowded into the background by the wheat, which has earned a world-wide renown for its flinty hardness and full kernel. This superiority of Manitoba hard wheat is due to the quality of the soil and the climate. The relation of the banks with the farmers in the prairie provinces are different, in some respects, from the relation between banks and farmers in the East. The Western farms are, as a rule, larger ; and, as most of the farmers concentrate on the one staple, the annual revenue of the agricultural community becomes available nearly altogether in September, October and November. So, a great proportion of the financial business is, every year, crowded into those three months. In the fall and early winter the banking offices are rushed nearly every day from nine in the morning till five or six in the evening, and often till late at night ; while from January to August the tension is notably relaxed. The large size of the individual farms and the concentration upon wheat, tends to make the farmers heavy borrowers.

Expenses begin early in the spring. Horses, new implements and other things may be needed. Some farmers follow the policy of giving notes payable in the fall; others pay cash throughout the year, perhaps through borrowing on direct loans from the local banks. No matter which policy is followed, the banks are likely to be called upon for advances. For when notes are given, they will perhaps make their appearance among the collaterals and discounted bills lodged by the implement dealers, horse dealers, storekeepers and other middlemen.

Financing the Large Farms.

Then the large farms necessitate the employment of much hired labor, the rate of wages for which is high. These wages also constitute a drain on the farmer's cash during the summer; and the groceries and provisions for maintaining large households absorb cash or credit. When the harvest is approaching it may be necessary to buy other implements; and the supply of binder-twine is to be secured. For the harvest itself extra help must be hired. In the case of a big farmer who borrows from the bank through the spring and summer and pays cash for all these items, his loans will reach large proportions by fall. The understanding with the bank, of course, is, that the advances shall be paid off with the proceeds of the crop. After the wheat is threshed there may be further credit operations, as the farmer may store some of his wheat in an elevator and borrow against it.

When the farmer buys everything on credit through the summer—giving notes or running accounts—the bank will then have been taking the notes, as mentioned above, from the implement dealers, store-keepers, etc. In the fall when the farmer's wheat is threshed, there will possibly be occasion to advance him a considerable amount to enable

him to meet these outstanding claims. He may borrow on elevator tickets, or if his credit be very good, on the grain in his own possession.

Usually there are a number of special payments to be made in the fall or early winter. Many of the farmers buy their land on the installment plan—from the Canadian Pacific Railway, Hudson's Bay Co., or from other land companies. It is most convenient to have the yearly installments mature in the fall. So payments on land, on mortgages, interest on mortgages, etc., become payable in the fall, and quite often bank advances are necessitated by them.

Some of the farmers ship their grain to the terminals, independently of the elevator companies, and sell to the grain companies in Winnipeg. This also necessitates banking operations, as a farmer doing so may draw on Winnipeg attaching the bill of lading to his draft.

Since the organization of the grain growers associations, the co-operative marketing of grain has been more extensively practised. The central office of the associations in Winnipeg will market the grain produced by the individual members, thus saving them a part of the charges levied by the grain companies; and it is also claimed by the association officers that the farmer secures in this manner a better grade for his grain than the grain companies would allow.

Farm Accounts in Eastern and Western Canada.

It will be understood from the foregoing, that the activities of the Western farmers are productive of much business for the bank branches. In Eastern Canada the farmer does not concentrate upon wheat; it merely forms one of a number of crops. He has money coming in through the summer from sale of products or live stock. He will

very likely have funds on deposit in the local bank ; but he does not produce as much business for the bank as does his brother-farmer in the West. He will, perhaps, finance himself to a large extent, and the banks may do nothing more than cash cheques for him during the summer. The farmer may, however, apply for a loan for the purpose of buying cattle or other live stock or for some other purpose.

Many of the Eastern farmers have reached independence or comfort through incessant practise of vigilant economy. Some are disposed to be jealous and suspicious of the rates charged by the banks for their services. Two often they think they are robbed if the local bank charges them a modest commission for collecting a cheque on a point two or three hundred miles distant ; and they may be disposed to haggle and argue unduly over commission and interest charges. The Western farmer, on the other hand, usually transacts a larger business with the bank ; he will avail himself more extensively of its service ; and he is not so much disposed to haggle over rates.

The Grain Routes.

With reference to the disposition of the grain, it should be said that the wheat is in constant demand in Eastern Canada, Europe and the United States, for milling purposes. By the addition of a portion of hard Manitoba, to the softer and cheaper wheat grown in the East, the flour product is strengthened and improved. Wheat for export from Manitoba follows certain well-defined routes. The principal outlets are the Lake Superior ports—Fort William and Port Arthur in Canada, and Duluth in the United States. On all the railway lines in the prairie provinces, trains of wheat proceed in rapid succession to these lake ports. Thence the grain passes down the lakes for export to Europe via

Montreal and the St. Lawrence, or via Buffalo and New York. Shipments are also made from the Lake Superior ports to Midland, Owen Sound, Victoria Harbor or Port McNicol on Georgian Bay ; Goderich, on Lake Huron ; Port Colborne, on Lake Erie ; and to Kingston and Prescott on the St. Lawrence River. From these latter shipments as well as from the shipment to Montreal, the Eastern millers secure their supplies for grinding.

Another stream of wheat proceeds direct from the Western fields to the Western milling centres. Among the more important of these centres are : Moose Jaw, in Saskatchewan ; Brandon, Portage-la-Prairie, St. Boniface and Winnipeg, in Manitoba ; Kenora and Fort William, in Ontario. The principal milling companies have elevators in most of the wheat-growing districts ; and their representatives buy the wheat from the farmers and route it to the mills. Then a portion of the flour made by them is exported to Australia and the Orient via Vancouver. The area devoted to wheat-growing is increasing at such a rapid rate as to threaten to overtax the facilities for taking the wheat out by the Eastern route. Considerable attention has latterly been given to the matter of transporting grain from the more westerly fields to Europe via Vancouver. With the opening of the Panama Canal some parties believe that this route will be extensively developed. If so, Vancouver will be equipped with ample elevators and trans-shipment facilities ; and the banks there will be required to transact much business similar to that now transacted at Montreal, Winnipeg, Fort William and Port Arthur.

Local Grain Buyers and Implement Dealers.

At the country branches in Manitoba, the accounts of the local millers and grain dealers are highly valued. During

the grain season these customers have a large turnover. Some of them borrow heavily from the banks on the security of bills of lading or elevator receipts. The local milling concerns offer for negotiation drafts on parties in Eastern and Western Canada, with bills of lading for flour attached. Local buyers for Winnipeg grain and milling companies are usually financed from that centre—that is to say they are supplied with funds by their principals. However, they may disburse their funds by means of cheques on the local banks; and the connection will probably bring a certain amount of desirable business to the counters of the banks.

Among the local business supplied to the bank in a Manitoba town, that emanating from the implement dealers usually has considerable importance. These parties secure the agency for the distribution of the agricultural implements, manufactured by one or more Canadian or American companies, provide themselves with a warehouse and a stock of goods, and proceed to sell to the farmer for cash and on time. As they dispose of their goods they will accumulate a large number of lien notes. These notes they turn into the bank as collateral. They may have resources sufficient to enable them to pay cash for the implements bought by them; and by borrowing on the lien notes, taken by them from the farmers, they may continue to buy from the manufacturers for cash. Their business with the banks consists in depositing successive batches of collateral notes and of borrowing against them. Proceeds of loans thus secured are paid to the manufacturing companies. Then, of course, in the fall and early winter, when the collaterals mature, the bank is kept busy collecting the notes and crediting the receipts upon the indebtedness of the local dealers.

Town Merchants.

Like the retail merchant in an Eastern town, the Western merchants deposit daily in the bank, and make all drafts accepted by them payable at its counters. To meet maturing acceptances they are perhaps obliged to discount farmers' notes. Often they are heavily indebted to the Winnipeg wholesale houses; and the fact has to be remembered constantly by the managers of the local branch banks.

Also included in the list of customers of the banks at the country branches will be real estate agents, insurance agents, private bankers, contractors, horse dealers, lumber dealers, retired farmers and landowners. The lumber merchants accounts are often important. Farmers have occasion to buy lumber frequently—to build or extend houses, barns, stables, granaries, etc.,—and only a few pay cash for these purchases. Consequently the lumber dealer has plenty of good farmers' notes to discount at the bank. Proceeds of these discounts go largely to the lumber companies, Canadian and American, from which the dealer procures his supplies.

The local horse dealers will also bring in successively bands of ranch horses or car lots of Ontario horses, and sell them to the farmers, taking notes in satisfaction in most cases. These notes he lodges as collateral when he requires an advance for the purpose of procuring a fresh lot of animals.

Private Bankers.

Private bankers as existing in Western Canada, supplement the work of the chartered banks. In many towns and villages the chartered banks have bought or taken over the business of private bankers. When this is done the private banker will probably be taken into the bank's service as branch manager. He will, of course, be left for a time, at any rate, in charge of the bank's interests in the locality or

town where he had been practising his private avocation. In those cases wherein the private banker is in sole possession of the banking business of a Western villiage, he has to face the probability of invasion by one or more of the chartered institutions. If he refuses to sell out and elects to keep his business going, the invasion of his field by a chartered bank need not necessarily prove his ruin. He will probably lose some of his deposits and some of his best discounting customers; but if he is wise enough to establish cordial relations with the branch bank, the two may work together with profit and satisfaction to both. What often happens is that the private banker will transfer his bank account to the chartered bank branch newly opened in his town. He may get the privilege of marking his cheques at par at all branches of the bank in the province or district; or he may have an arrangement for the encashment of his cheques at par in Winnipeg and one or two other places to which he has frequent occasion to remit.

Then we will, of course, have a line of discount, the extent of which will depend on the bank's opinion of his credit and responsibility. In every town or villiage there is always a certain demand for accommodation which the chartered bank cannot properly give. The borrower may want a loan for a long period—a year or eighteen months; he may want to borrow on a chattel mortgage or on a seed grain mortgage; or he may want accommodation on some other basis unsuitable or illegal from the standpoint of a chartered bank. Business of that kind will be directed to the private banker, who, naturally, charges a higher rate of interest than the chartered bank's customers are required to pay. His more negotiable and short date paper the banker lodges with the chartered bank as collateral for his bank advances. When the private banker is possessed of good

judgement and ability, a connection of this kind will prove advantageous to him, it may be of material assistance in enabling him to amass wealth.

The Business of the Larger Cities.

I have discussed at length the business transacted by the banks in the small country towns, for the reason that more than two-thirds of the branches are in these towns. When the bank employee is required to serve in one of the larger places—Brandon or Portage-la-Prairie for example—business of a different nature is encountered. At these places there are wholesale establishments, departmental stores, big flour mills, lumber manufacturing concerns, a large number of retail establishments, agents of all kinds. In many respects the business transacted is similar to that already described, but it is on a larger scale. Brandon and Portage-la-Prairie may be said to have some of the characteristics of the country town and some of the characteristics of the city. The business is a mixture of urban and rural—both classes of business being decidedly important.

With reference to Winnipeg, while the bank offices in that city comprise a little more than one-fifth of the total bank offices in the province, it should be remembered that the average number of employees per branch office in Winnipeg is considerably more than the average per branch for the country offices. Perhaps it would be safe to say that the Winnipeg staffs comprise one-half the men in the banking service in Manitoba.

This makes it necessary to give particular attention to the manner in which the commercial, industrial and financial activities of this great Western centre are displayed. Much of Winnipeg's importance results from its position as a great

centre for the grain trade, and for the distribution of merchandise of all kinds intended for western points. It is also a great railway centre, a great financial centre, and it is becoming a great manufacturing centre.

The Winnipeg Grain Trade.

Nearly all of the big milling and grain-buying companies operating in Western Canada have large accounts in the Winnipeg banks. Some Eastern Canadian concerns also have representatives in the city, who buy, for their account, such supplies of grain as they require. The principals in Eastern Canada finance these transactions. The Winnipeg representative will be given authority to draw on the Eastern company; the funds so procured he disburses to the grain trade in the West.

The accounts of the leading milling companies reach very large proportions. These companies have their elevators established at many points in the various wheat districts. The company supplies its representatives with the funds required to pay cash to the farmers. In addition to buying wheat for grinding into flour, the milling companies may buy for export or for sale to exporters.

When they are buying most actively, the milling companies will have huge lines of direct loans from the banks, in some cases exceeding \$2,000,000—such loans being secured by bills of lading and elevator receipts. These are succeeded in due course by drafts, with bills of lading for flour attached, upon bakers, retail dealers, and other distributors in Eastern and Western Canada. The companies also make heavy shipments of flour to the United Kingdom, to sundry British colonies and to foreign countries. They therefore draw bills of exchange on various parts of the world. The banks take these bills for collateral or for discount.

The grain exporting companies also, in some cases, have elevators scattered through the wheat fields. They buy in the same manner as do the milling companies; or if they have not a line of country elevators they may buy from the other dealers at the grain exchange. Their advances also are heavy. Three or more banks may participate in carrying the account of one of these big grain companies. As the exporters make shipments from the lake terminals, their direct loans are succeeded by drafts on New York or Montreal covered by shipping bills, marine insurance, etc., and these drafts are taken up, in turn, by bills of exchange on London or another European centre.

The Wholesale Trade.

Winnipeg has many wholesale and distributing houses, engaged in all lines of business: drygoods, clothing, groceries, liquors, boots and shoes, stationary, hardware, agricultural implements, carriages, rubber goods, bags, furniture, fruit, etc. Besides the local Winnipeg houses, a large number of Eastern Canadian houses, and not a few American and British houses, have established branch warehouses in the city. So far as the local enterprises are concerned they have, almost invariably, extensive lines of bank credit in active operation. They sell to retailers in all parts of the West largely on time; and the more important houses, every day, send to the banks long lists of trade bills for discount. The Western houses are perhaps a little more lenient with their debtors than are the Eastern and outside houses. That is, they will extend credit more readily and perhaps give more frequent renewals. So, many of the retailers in the country towns are altogether in the hands of the Winnipeg wholesalers. The wholesalers, in some cases, have recourse to direct loans as well as to the discount of

customer's paper. Their disbursements are chiefly to the manufacturing concerns in Eastern Canada, and to British and American manufacturers. In the case of purchases from American houses, the Winnipeg house may settle by remitting exchange on New York or on St. Paul or Minneapolis, (the two latter cities do a big trade with Winnipeg.) And in the case of purchases from British houses, bills of exchange are purchased from the bank—on demand, at sixty, or ninety days—and remitted to England.

Railways and Manufactures.

The three big railway systems—Canadian Pacific, Canadian Northern and Grand Trunk Pacific—supply the Winnipeg banks with a large volume of business. Station agents in the West remit their receipts to the city in the form of bank drafts or cash, and they are deposited daily.

Disbursements of the railway companies at Winnipeg are also very large. Supplies required for a large portion of the Western systems are purchased and paid for here; and the pay cheques of the conductors, enginemen, firemen, trainmen, section men and shopmen are drawn on Winnipeg. Most of the expenditures for new construction in Western Canada are made in the Manitoba capital.

Among the manufactures of Winnipeg the lumber industry has a prominent place. The banks in the prairie capital have always helped to finance the lumber manufacturing business which centers at Kenora. They also, of course, finance the local lumber trade. The timber limits are in the Lake of the Woods district in Northern Ontario, in Northern Manitoba and in South-Eastern Manitoba. The local mills are operated chiefly to supply the local trade. The paper offered for discount is chiefly that of contractors and builders; also large direct loans are required, as is

usually the case with lumbering accounts. The lumber companies in the Lake of the Woods district supply lumber to the retailers throughout the prairie provinces.

Although Winnipeg does not play a prominent part in manufacturing agricultural implements, the manufacturers use the city as a great depot or centre for distributing their goods. The larger companies have huge warehouses in the city and very large staffs of office employees. The establishment of the Massey Harris Co., is particularly important. The business of distributing the implements throughout the Western Provinces is superintended at Winnipeg; and the collection of the great number of lien notes taken by the agents and representatives in scores of Western towns is attended to by the Winnipeg offices.

In the city there are extensive foundry and iron works, spice mills, harness manufacturing, packing plants, carriage works, flour mills, railway shops, breweries and various other manufacturing concerns, all of which supply the banks with a considerable amount of profitable business.

Financial Business.

The city is also a clearing centre for the Western business transacted by fire and life insurance companies, loan and mortgage companies, land companies, trust companies, bank and other financial corporations. The financial transactions of the insurance companies were discussed in the lesson dealing with Montreal, and it is not necessary to repeat the description; but a small amount of space may properly be given to the operations of the loan and mortgage companies. The business of the loan and mortgage companies consists of lending on real estate mortgages funds, secured by them through collection of interest and principal of loans already made, through the

issue of debentures, some of which are issued in Canada and some in Scotland. Some companies also secure funds from the Canadian public in the form of deposits, for which they pay interest at a higher rate than that allowed by the chartered banks. The receipts from interest on mortgages come in most heavily in November, December and January; and in those months the bank balances of the companies assume very large proportions. Funds secured in Scotland through issue of debentures, may be transferred to Winnipeg from Toronto (where most of the Eastern loan companies have headquarters;) or they may be made available through passing sterling transfers through the Winnipeg accounts.

The land companies operating in Winnipeg are Canadian, American and British. The American companies bring their funds from the United States, and invest them in large tracts of land, which are, in turn, disposed of by retail to settlers. The Canadian and British companies operate in the same way, securing their funds in Canada and in the United Kingdom.

The Canadian Pacific Railway, through its land department in Winnipeg, does a most extensive business with the new settlers. The company sells its land on the ten year payment plan, interest at six per cent. Everywhere in the West are to be met farmers and others who have bought C. P. R. land and who remit every year the instalment of principal and the interest.

The trust companies also are accustomed to invest a portion of their funds in real estate mortgages. Some of them take deposits from the public; but their funds are derived principally from estates which they control as executors or trustees. Aside from their deposits and from interest on their investments, the important items passed to credit of their bank accounts consist largely of realizations

of property entrusted to them by virtue of wills of deceased persons, and by virtue of court orders. Cheques drawn on their balances represent payments to heirs and beneficiaries of estates, withdrawals of deposits, investment of their funds and release of trust monies. The companies also receive large sums in their capacity as trustees for bondholders, or for corporations issuing bonds.

Winnipeg is one of the principal points in Canada for the cashing of traveller's cheques and letters of credit, by tourists bound for either Coast, or for Europe or the Orient.

Saskatchewan—Distribution of Branches and Provincial Taxes.

Bank branches in Saskatchewan, as at the end of 1911, were :

Union Bank of Canada.....	70 Branches
Canadian Bank of Commerce.....	52 "
Northern Crown Bank.....	38 "
Bank of Hamilton.....	27 "
Bank of British North America.....	23 "
Merchants Bank of Canada.....	15 "
Bank of Toronto.....	14 "
Royal Bank of Canada.....	12 "
Imperial Bank of Canada.....	12 "
Bank of Ottawa.....	10 "
Standard Bank of Canada.....	9 "
Weyburn Security Bank.....	9 "
Dominion Bank.....	7 "
Bank of Montreal.....	6 "
Traders Bank of Canada.....	6 "
Quebec Bank.....	5 "
Home Bank of Canada.....	4 "
Bank of Nova Scotia.....	3 "
Eastern Townships Bank.....	1 Branch
323 Branches	

The annual taxes levied by Saskatchewan on banks having branches in the province are : On principal office in the province, \$400. Other branches are taxed as follows : on the first four, \$100 each ; on the next four, \$50 each ; on each additional office (in excess of eight), \$25 each.

Government Business.

The Dominion Government business in Saskatchewan is transacted chiefly by the Bank of Montreal ; but, as in other provinces, a portion is given to other banks. Postmasters in small places not having banks, remit to the Bank of Montreal, Regina. In other places the postmasters deposit funds in local banks ; usually the bank first established in the place is designated as government depository.

The Provincial Government deals chiefly with the Union Bank of Canada and the Northern Crown Bank in Regina. Usually the Provincial Treasury has large deposits with its bankers. When funds are required bonds are sold in London. In past years the Canadian Bank of Commerce in London has been employed in connection with the placing of bonds in England and the transfer of the proceeds to Canada. But, as the Union Bank of Canada has lately established a branch in London, it is to be presumed that a part of the London business will be taken by the Union. The province does not customarily borrow from its bankers in Canada by way of temporary loans. When purchasing sterling exchange to remit to London to meet bond interest payable there, the Provincial Treasurer does not invite tenders from the Regina banks in general ; the business goes to the Government's regular bankers.

Agriculture.

In agricultural production Saskatchewan now surpasses Manitoba, especially in the production of wheat. The conditions under which the various products are raised, financed and marketed, resemble the conditions prevailing in Manitoba. With reference to the physical features of the province, it should be said that between Winnipeg and the Rocky Mountains are three distinct prairie steppes. The first begins near the Eastern boundary of Manitoba, and extends westerly a short distance beyond Portage-la-Prairie. This plain is from 500 to 1000 feet above sea level. The second plain is from 1000 to 2000 feet above the sea. It comprises part of Manitoba and part of Saskatchewan. The western boundary of the second steppe or plain runs north-westerly from Portal at the United States line, and passes near Moose Jaw, and near Battleford further north. The third steppe is from 2000 to 5000 feet above sea level; and it extends to the Rocky Mountains.

Large portions of all of these plains are eminently suited for agricultural purposes. The second plain, comprising Western Manitoba and the greater part of Saskatchewan, has a particularly large area of the best agricultural soil.

Although the business of agricultural production in Saskatchewan is carried on very much the same as in Manitoba, farming life in the more westerly province has some interesting and peculiar features. Saskatchewan is receiving a very large proportion of those American farmers who are taking such an important part in building and developing the prairie provinces. Most of these Americans select Saskatchewan and Alberta for their operations. Usually the newcomers have had successful careers in the United States, and they possess respectable accumulations

of capital. Nearly all of the Western States have contributed to the settlement of the Canadian plains. The principal attraction is the cheap land. A well-to-do American farmer with perhaps four or five sons finds himself in possession of, say 120 or 200 acres of land in Kansas worth maybe \$60 or \$70 per acre. His land holding is not big enough to divide among his sons so as to give each one a good farm. The farmer decides to sell out and move to Canada. With the proceeds of his Kansas farm he can perhaps buy 800 or 1000 acres in Saskatchewan, on the deferred payment plan, and provide himself with an equipment of modern implements, horses, etc., which will enable him to put a very large area under crop at once. Then there is the prospect of the land doubling or trebling in value in the course of a dozen or fifteen years.

The Farmers and the Banks.

Many of these big American farmers do not ask the banks for loans. The settler may buy an extensive outfit on good terms, and break up a large area at once. If he has good fortune with the first crop he will have plenty of funds for meeting all payments and for carrying on the next year's operations. Generally he finds that with the labor expended on it, his farm has increased substantially in value. However, some of these American newcomers borrow from the banks in Canada. There are also, in Saskatchewan, many Canadian farmers—from Ontario and other Eastern provinces; and these men have recourse freely to the facilities supplied by the local branch banks. With the rapid development of its agricultural lands, Saskatchewan is becoming an important field for farmer's deposits. Branches in the best wheat districts find their current account balances and savings deposits increasing in satisfactory manner. But

in the prairie provinces, and particularly in the newest—Saskatchewan and Alberta—the increase of population is so rapid as to induce a strong spirit of venturesomeness among the farmers and townspeople. New enterprises of various kinds are much in evidence ; and the demand for loans and credit is very heavy. Rates of interest on mortgages and other investments are high. The multiplicity and variety of investments yielding large returns serve to check the growth of the deposits.

The ranching industry in Saskatchewan centers at Maple Creek, near the Albertan boundary, and at some points in the northern part of the province. In borrowing from the banks the ranchers, in some cases, give their pledge of stock ; but the larger ranchers are often wealthy enough or strong enough to borrow without giving this pledge. As ranching pertains more especially to Alberta it will be discussed when dealing with that province.

Wholesale Trade and Manufactures.

In mineral production Saskatchewan does not figure importantly. Coal is the only mineral produced at all largely ; and coal mining is confined to the districts extending along the southern boundary of the province. Estevan is the chief centre. Estevan also has brick-making industries. The companies operating the mines finance themselves by means of bond issues, and by bank credits guaranteed by their directors.

There are three important wholesale trade centres in the province—Regina, Moose Jaw and Saskatoon. The wholesalers are chiefly branches of Winnipeg or Eastern Canadian houses : but there are also some independent local concerns. The business of distributing farm implements is carried on with especial activity at the three points above mentioned.

Some of the large American manufacturers make Regina their headquarters for Canada ; and the business men of the provincial capital claim that more agricultural implements are distributed from Regina than from any other point in the world.

Some manufacturers are developing. Prince Albert in the north has made considerable progress in this direction. The great forests on the north side of the Saskatchewan River provide the raw materials for the saw mills to work upon. The market for the products of the mills is practically at their doors. Scarcely any of the stuff is shipped farther south than Regina.

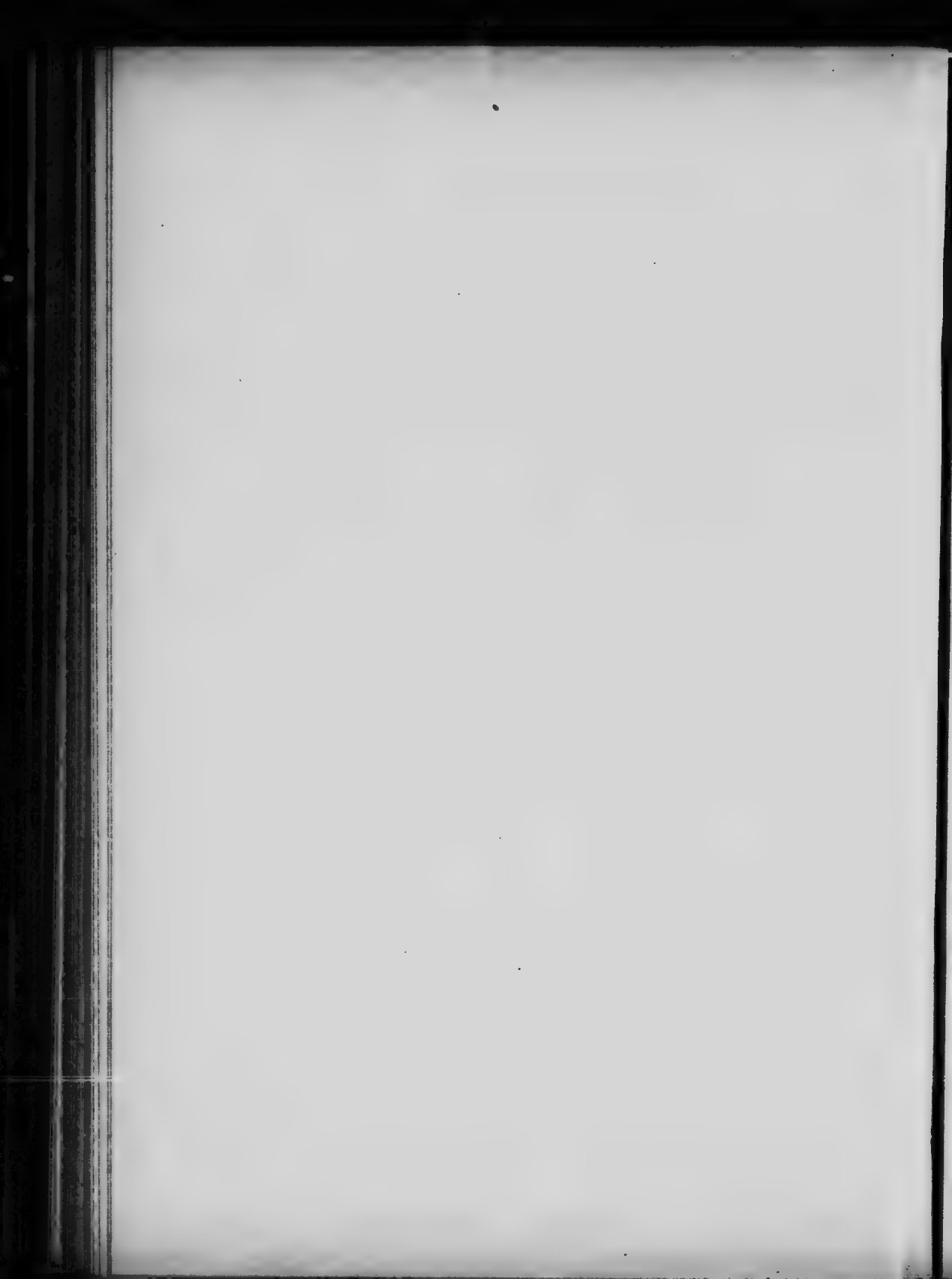
General business in Saskatchewan, Alberta and British Columbia has been considerably affected by the large expenditures on new railway construction in the last few years. These expenditures have promoted great activity and prosperity in many sections of the three provinces.

EXAMINATION QUESTIONS

BANK GEOGRAPHY

LESSON 6.

1. Give the rates of taxation which the governments of Manitoba and Saskatchewan respectively levy on the banks.
2. Explain how the banking business of the Dominion and Provincial Governments is distributed in Manitoba and Saskatchewan.
3. Explain how the banks finance the farmers in these two provinces.
4. Tell why the farmers in Western Canada borrow more freely from the banks than do the farmers in the east.
5. Trace the routes taken by Manitoba and Saskatchewan wheat on its way to market.
6. Enumerate the principal classes of borrowing customers encountered in a Manitoba country town; and give a brief description of the business transacted by each class with the bank.
7. Give the details of the banking business transacted during the grain season by a big Winnipeg elevator company.
8. Describe the operations of the Manitoba and Saskatchewan lumber companies—giving the location of the chief limits worked by them, the principal saw-milling centres, and the leading markets.
9. Give the sources whence the loan and mortgage companies in Winnipeg derive the funds passed to credit of their bank accounts; and explain what the disbursements of these companies represent.
10. In what respect, if any, does the agricultural industry of Saskatchewan differ from that of Manitoba?



BANK GEOGRAPHY

LESSON 7



.. BY ..

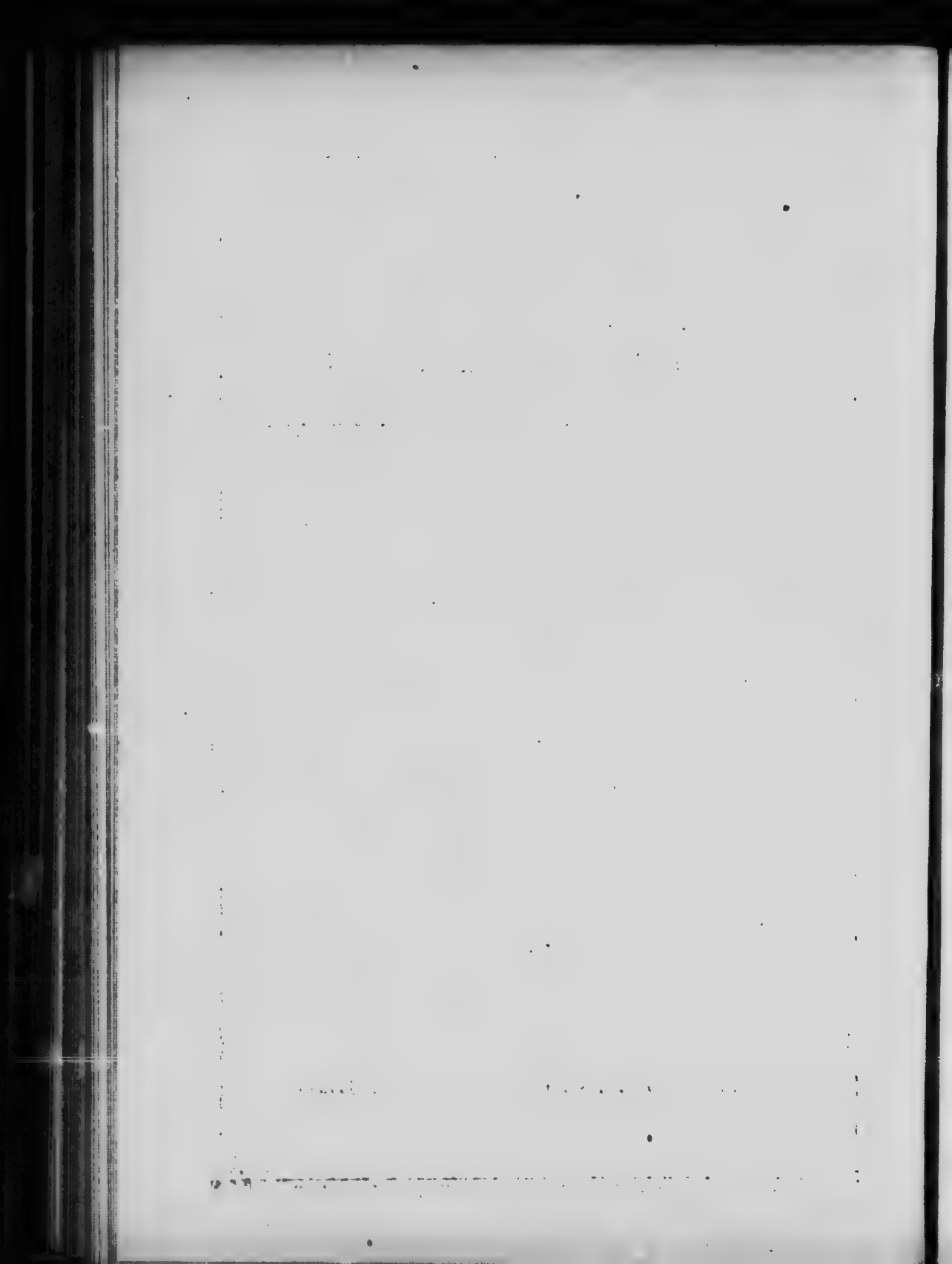
H. M. P. ECKARDT

*Author of "Manual of Canadian Banking,"
"A Rational Banking System."*



.. THE ..

**SHAW CORRESPONDENCE SCHOOL
TORONTO, CANADA.**



BANK GEOGRAPHY

LESSON 7.

ALBERTA AND BRITISH COLUMBIA.

Alberta—Distribution of Branches and Provincial Taxes.

The distribution of bank branches in Alberta, as at the end of 1911, was as follows:

	Branches.
Canadian Bank of Commerce	41
Union Bank of Canada.....	40
Merchants' Bank of Canada.....	38
Imperial Bank of Canada.....	13
Traders Bank of Canada.....	13
Bank of Montreal.....	10
Royal Bank of Canada.....	10
Bank of Hamilton	10
Dominion Bank	7
Northern Crown Bank	6
Bank of British North America.....	5
Molson's Bank	5
Standard Bank of Canada.....	5
Bank of Toronto	4
Eastern Townships Bank.....	3
Quebec Bank	2
Bank of Nova Scotia.....	2
Banque d' Hochelaga.....	1
Bank of Ottawa	1
Total	216

The annual taxes levied by Alberta on bank branches in the province are: On the principal office in the province, \$400; on the next four offices, \$200 each; on the next six offices, \$100 each.

Government Business.

In Alberta, the Dominion Government follows its usual practice in allotting its banking business. In each town or village the bank which has been longest established acts as Government bank. In Edmonton, the capital of the Province, the Imperial Bank of Canada acts as Dominion Government banker.

The Provincial Government business is divided among four banks—Imperial, Merchants', Commerce, and Union—with the Imperial and Merchants' receiving the larger share. The Imperial is the Provincial Government's principal banker. In connection with the Provincial Government's business, it is to be noted that it involves the banks in other special transactions of importance. For example, in the famous case of the Alberta and Great Waterways Railway Co., the province guaranteed the bonds issued by the Company. Of the proceeds, over \$6,000,000 were deposited with the Royal Bank of Canada, Edmonton. Smaller sums were deposited in the Dominion Bank and the Union Bank of Canada.

The Provincial Government has also guaranteed bonds of the Grand Trunk Pacific and Canadian Northern Railway Co. Proceeds of sales of these bonds have been deposited in the Merchants' Bank of Canada for the Grand Trunk Pacific, and in the Canadian Bank of Commerce for the Canadian Northern Railway. The special deposits so made are often very large. As construction work proceeds, the railway companies draw upon the balances; and

from time to time their accounts are replenished by means of further sales of bonds in London.

In its own ordinary accounts the Provincial Government usually carries heavy balances. On occasions it borrows from its Canadian bankers. In 1911, a temporary loan of from four to five millions was secured from the Imperial Bank of Canada, being afterwards paid by funds procured in London.

Minerals.

Coal mining, farming, and ranching all bulk large in Alberta. The soil and climate of the province are more diversified than those of Manitoba and Saskatchewan. The eastern and southern portions of Alberta are nearly devoid of trees. Westwards, near the Rockies, more trees are found and in the foothills there are bodies of forest timber. In the northern part of the province, especially north of the North Saskatchewan River, forests are also encountered. From the southern boundary, for a stretch of over 150 miles, northerly, the soil is dry, but good, and grows excellent crops when irrigated. Farther north, the ordinary rainfall is sufficient for agricultural purposes, and the soil is most fertile. It is in this section that the ranching industry is prosecuted. The meadows are undulating, well provided with grass, and water is sufficiently available.

There are vast beds of coal underlying the surface of the plains. The coal deposits are usually bituminous or semi-bituminous. Only along the Crows' Nest Pass Branch of the Canadian Pacific Railway has any extensive development taken place.

The Galt mines were started about 25 years ago by Sir Alexander Galt, after he had spent considerable time looking over coal prospects in different parts of the Western

Provinces. In order to make a market for his output, he built a narrow-gauge railroad from Lethbridge (then Coal-dale) to Dunmore Junction, near Medicine Hat, and another line to Great Falls, Montana. After many vicissitudes and reorganizations, this property is now supposed to be paying handsome dividends. The Canadian Pacific Railway owns a controlling interest in the Alberta Railway and Irrigation Co. (part of the assets of which is the Galt mine).

This was the beginning of coal mining in Southern Alberta. Now there are about 13 mines around Lethbridge, one or two at Taber, and a large number up through the Crows' Nest Pass. Around Lethbridge the seam is about 5 or 6 feet thick, and horizontal, whereas the seams up through the Pass run as high as 30 feet thick, and stand at all kinds of angles up to vertical.

Lethbridge and Crows' Nest Pass Mines.

These latter mines for the most part yield a good quality of steam coal and of coal suitable for making coke. The greatest shipping points are: Lethbridge, Taber, Frank, Blairmore, Coleman and Crows' Nest, in Alberta, and Michel, New Michel, and Fernie, in British Columbia.

The markets for domestic qualities are: Southern Alberta, Saskatchewan, and Western Manitoba. The best market was in the United States, but the American Government some years ago put a heavy duty on Canadian coal, and much of the international traffic was thereby destroyed. Crows' Nest Pass steam coal is shipped all over the Western Provinces and the Northern States, the principal customers being the railroads. All the large railroads have mines of their own, or are interested in some large mines in the

Pass. The mines are financed almost entirely from sale of stock. In some cases the banks have advanced on bonds, pending a favorable market; and it is said that most of the mining companies borrow at short date to meet payrolls. They also borrow on the personal guarantees of the directors of the companies, whereunder wealthy directors make themselves personally or individually liable for the credit given by the banks. Sometimes the bank lends to the mining company on the security of collateral notes taken for stock sold. Throughout the province promoters and stock salesmen have placed a large amount of coal mining and fruit farm stock in the past few years, and the purchasers of the stock in many instances give notes in settlement instead of cash. However, loans on collateral of this kind may become complicated if the mining company does not meet with success. In some cases the directors of one or more chartered banks are supposed to have a large interest in two or three mines. Such instances exist in the cases of the Royal Collieries, at Lethbridge; the International Coal and Coke Co., at Coleman; and the Granby Smelter. In a case of that kind, the bank would probably advance to the mining company on the strength of its confidence in the men behind the company. There is a French mining company at Frank, and a Belgian company at Blairmore; but the mining concerns are mostly Canadian. At Taber and Lethbridge they are entirely Canadian.

Wages are paid fortnightly by cheque whenever there is a banking town convenient. The banks are naturally desirous of having payrolls met by cheque as far as possible, as the practice economizes the use of cash, and, what is more important from the banks' point of view, it promotes the growth of the deposits. A number of branch banks

have been established near large mines, with the object of obtaining these deposits.

The coal mining industry in Southern Alberta is rapidly attaining important dimensions. The Galt mines produce 1,700 tons per day; and the mining output at Lethbridge and Taber, the latter including a number of small companies working outcroppings along the river bank, approximates 5,000 tons per day.

Ranching.

The ranching industry, as existing ten years ago, is a thing of the past. All the big ranches, running upwards of 1,000 head, are gone. These big ranches were largely on open prairie lands, and have now been broken up into farms producing wheat. There are still large tracts of country devoted to grazing; but these tracts are now the edge of civilization—distant fifteen miles or more from a railroad. They may be briefly described as: the foothills of the Rockies (west of the Edmonton to Macleod line of the C. P. R.); along the United States border—the Milk River and Cypress Hills district, and the Wood Mountain district; also the rough country along the banks of the Red Deer and South Saskatchewan rivers. The most important shipping points are: Cachrane, Calgary, Gleichen, Medicine Hat,—on the main line of the Canadian Pacific; Pincher Creek, Macleod and Lethbridge—on the Crows' Nest Branch; and Cardston, in the southwest corner of the province. Generally speaking, the business of raising range cattle for export is almost extinct, except perhaps in the Medicine Hat and Maple Creek districts. With the rapid increase of population in the prairie provinces, the domestic market has correspondingly increased, and while Alberta is producing

more cattle than was the case ten years ago, there is a smaller surplus for export.

A considerable proportion of the cattle for export are raised by the farmers, who feed from one to two hundred head through the winter on hay, sheaf-oats, and chop. Export beef all goes through Montreal to Liverpool and London—alive. English regulations require the cattle to be held at lairages and killed within five days. These regulations have handicapped the Canadian exporters most seriously; and the cattle men are disposed, in consequence, to bend their energies towards the development of the local trade.

Attempts have been made to build up an export trade in chilled meat. But the chilled beef sent to England by the Western Canadian producers has not been able to compete with the Argentine product, owing, it is thought, to the superior quality of the grass on the South American ranges.

Banks and the Ranchers.

In dealing with the ranchers, the banks have followed different policies. The owners of the animals usually require financial assistance—to buy feed, pay wages, etc. The more conservative banks engaged in this business, in the case of reliable customers, will perhaps advance up to about 25 per cent. of the value of a herd of cattle. On a band of horses, after its manager had ascertained that the herd was largely of a hardy, and at the same time saleable, quality, a bank might sometimes go as high as 50 per cent., owing to the much smaller death-rate of horses in winter. On a band of sheep, the custom is to advance from 25 to 50 per cent., according to the reputation of the owner as a successful sheep rancher. The reputation of the rancher,

the amount of hay he has or is able to put up, and the location of the ranch with respect to scrub and small timber for shelter, enter largely into the consideration of all applications for ranching loans.

The banking towns carrying the bulk of the ranching business are: Cochrane, High River, Claresholm, Macleod, Pincher Creek, Lethbridge, Cardston, Gleichen, Taber, Grassy Lake, Medicine Hat; and in Saskatchewan, Maple Creek and Swift Current.

Sheep Ranching.

With reference to sheep ranching, it is to be observed that sheep ranges are now confined to a strip of country between the main line of the Canadian Pacific Railway and the Crows' Nest Branch and the United States boundary—mainly around Magrath, Raymond and Stirling, between Chin Coulee and the Milk River: south of Taber and Grassy Lake, and the north side of the Cypress Hills.

For some years sheep ranching has been more profitable than cattle ranching; and very large profits have been made by some of the ranchers. In recent years both wool and mutton have brought fine prices. With respect to bank loans also, advances on sheep are in some ways more satisfactory than advances on horses and cattle—for the rancher always knows how many sheep he has. However, much special knowledge and experience are required to run sheep successfully; and the big storms are sometimes disastrous. It happens sometimes that a rancher's stock of animals will be completely wiped out in one bad storm, while his neighbor on the same creek may come through without any loss to speak of.

Sheep business, like the cattle business, is getting nar-

rowed down. Leases are being homesteaded, and ranges broken up; and every year sees some ranchers driven out of business. In the early days, by acquiring all the springs, lakes and water fronts, the ranchers were able to command a considerable stretch of range, and could hold it against competitors in the same line of business. But the farmers coming in have taken up the choice pieces of pasture land and hay meadows; and the ranchers are left with all the water, but no range.

General Farming.

Farming in Alberta is more diversified than in the other Western Provinces. Alberta has many varieties of soil: sand, sandy loam, chocolate loam, clay, and soil rich in decayed vegetable matter. In the Southern part of the province the farmers concentrate largely on wheat raising, except in the districts above noted, around the edge, where the ranchers still have a foothold. From Olds northwards, owing to the superabundance of rain, they go in more in mixed farming, raising oats rather than wheat, and engaging in dairying, raising beef cattle, swine, poultry, etc.

Then there are the irrigated strips—that of the Alberta Railway and Irrigation Co., south and southeast of Lethbridge, where they raise, under irrigation, sugar beets, alfalfa, timothy hay, and wheat; the South Alberta Land Company's irrigated tract, the works for which are now under construction, between the South Saskatchewan and Bow rivers, west of Medicine Hat; and the Canadian Pacific Railway Company's irrigated tracts, east of Calgary, a large part of which is still under construction.

The Canadian Pacific's ready-made farms constitute another peculiar feature of Albertan agriculture. Within the past few years the company has prepared farms of 40 or

80 acres, each farm with a certain number of acres under cultivation, a house, barn, farm implements, and live stock down to chickens, all provided. This is, of course, an experiment, all the results of which are not yet discovered. The officers of the bank branches which have to do with the British farmers settling on these ready-made farms are not as a rule willing to lend at all freely to them until they have demonstrated their ability to produce profits from their farms. For the most part, it might be said that their liabilities to the railway company are very large; many of them would seem to be entirely in the railway's hands.

Taking the farmers in Alberta generally, it can be said that those who can best count upon getting generous financial support from the banks are the practical, hard-headed men, who have been through the mill in Ontario or another Canadian province, or in North Dakota, South Dakota, Iowa, etc. Bankers in Western Canada say that, as a rule, the settlers from the Northern States adapt themselves more readily to conditions in Southern Albert than do those from Ontario.

Business in the Centres.

The two financial centres of the province are Calgary and Edmonton. Both of these cities are great railway centres; in both of them the banks are required to transact a very large amount of business with the wholesale and manufacturing houses, with loan and land companies, insurance companies, trust companies, contractors, retailers, etc. Both cities are headquarters for the disbursement of much funds for railway construction purposes. The railway companies carry large balances in the Calgary and Edmonton banks, the balances being drawn upon as construction proceeds.

The Canadian Pacific is establishing large car shops and repair works at Calgary. Both Calgary and Edmonton are important centres for the real estate business.

British Columbia.

At the end of 1911, the distribution of bank branches in British Columbia was as follows:

	Branches.
Royal Bank of Canada	37
Canadian Bank of Commerce	32
Bank of Montreal	25
Imperial Bank of Canada	16
Bank of British North America.....	15
Bank of Vancouver	14
Northern Crown Bank	12
Union Bank of Canada	11
Bank of Hamilton.....	11
Eastern Townships Bank	10
Merchants' Bank of Canada	8
Bank of Toronto	5
Bank of Nova Scotia	3
Molsons Bank	3
Dominion Bank	3
Traders Bank of Canada	3
Quebec Bank	1
Bank of Ottawa	1
Home Bank of Canada	1

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In British Columbia the bank branches are taxed as follows by the Provincial Government: On the main or principal branch in the province, \$1,000 annually; on each additional branch, \$125 annually.

Government Business.

The chief bankers for the Dominion Government in British Columbia are the Canadian Bank of Commerce and the Bank of Montreal. Postmasters' remittances and Customs and Inland Revenue receipts are deposited in the Canadian Bank of Commerce for transmission to Ottawa. Funds received on deposit in the Dominion Government Savings Bank at Victoria are passed into the Bank of Commerce, and withdrawals are met by cheque on that bank. Postoffice money orders also are cleared through the Commerce. Withdrawals from the Postoffice Savings Bank are met, as in other provinces, by cheque on the Bank of Montreal, Ottawa.

The Provincial Government business is carried principally at the Canadian Bank of Commerce. This bank owes its strong position in British Columbia, in considerable part, to its absorption of the Bank of British Columbia in 1901.

The Provincial Treasury is a large purchaser of sterling exchange, which is required to meet interest on bonds held in England. It has also endeavored to stimulate railway building in the province by means of guaranteeing the bonds of railway companies. In this way much financing has been carried through for the Canadian Northern Railway. As this railway company also carries its accounts at the Canadian Bank of Commerce, the bank participates actively in the financing.

The province habitually carries large balances with its bankers. While the bulk of the business of the Provincial Treasury is done by the Bank of Commerce a number of the other banks are given a share of the Provincial deposits.

Minerals—Gold.

British Columbia holds a prominent position in the Dominion with reference to production of minerals, timber, and fish. It is also developing its agricultural resources, and it has a large and rapidly increasing trade with the Orient, South America and the Antipodes. It is therefore with these lines of activity and with the activity displayed in connection with the railway construction programmes that the banks in the province have principally to do.

The minerals produced are gold, copper, coal, lead, silver and iron. Gold is produced from placer and lode mining. It is found in various parts of the province. The greater part of the returns are secured from lode mining. The principal fields are the Rossland, Boundary and Kootenay districts, in the south, and the Atlin district in the north. In Yukon Territory there are the Klondike and Kluane districts. The business of the banks in the Klondike was described in Lesson 7—pages 18, 19, 20—Practical Banking; and it will not be necessary to repeat that description. With reference to the gold mining industry in the Yukon, it is to be observed that it is gradually falling into the hands of large, strong companies, as the richer creeks become exhausted. Thus, Sir Edmund Walker, in his 1910 address to the Canadian Bank of Commerce stockholders, says: "The gold mining interests in the Yukon district have been passing through a period of change from small holdings with inadequate appliances to large mining companies with the most advanced machinery, so that while the population is still shrinking, the output is increasing and wages for all classes are still very high. Extensive power plants have been erected, what is said to be the largest gold gravel digging dredge in the world is at work, while, by the

use of steam pipes, one company has increased by 42 the number of working days in 1910 as compared with 1909."

Gold secured through quartz mining and placer mining is sent principally to Seattle and San Francisco. That secured from quartz has, of course, to be reduced or smelted. The banks either buy the metal or make advances on the ore shipments. It is generally expected that with the prospective opening of the northern part of the province through the building of the Grand Trunk Pacific and the extension of the Canadian Northern, further valuable discoveries of gold and other minerals will be made.

Copper, Coal and Other Minerals.

Copper occurs along the southern boundary, at Kamloops, and along the coast. Vancouver Island and the Queen Charlotte Islands have extensive deposits. The ores are smelted or reduced and sent principally to the United States.

Like Alberta, British Columbia has enormous supplies of excellent coal, most of it being as yet untouched. The principal producing collieries are on Vancouver Island and in the Crows' Nest Pass district. There are immense beds of high-grade bituminous coal and semi-anthracite in the Bulkley Valley, just south of the Skeena River. The line of the Grand Trunk Pacific passes near these valuable deposits, and the railway will doubtless make them more available for commercial purposes.

The coal on Vancouver Island is bituminous and a good steam producer. Nanaimo and Comox are the two principal fields. Steamship companies operating on the Pacific Ocean regard the Vancouver Island coal very highly, and the officers in charge of their vessels make it a point to coal

at the Island stations whenever they conveniently can. A large part of the output of the mines is sold into Puget Sound, San Francisco and the local market.

In the mines the men are paid according to the work they do. All are paid by the month, by cheque, and pay day at the mine means a very busy day at the nearest bank. It is said that the miners average from \$90 to \$125 per month; and as a class they are of a saving disposition. Therefore the savings deposits of the bank branches in vicinity of the mines usually show steady development. The silver-lead district is in the Selkirk Range, in the Kootenay district, and contains Nelson, Kaslo, Slocan and other towns. Iron is found in the Kootenay, on Vancouver Island, and farther north on the coast.

The principal smelting and reducing plants are at Trail, Nelson, Grand Forks and Greenwood.

Lumbering.

British Columbia's forests are a source of great wealth. The principal trees used in commerce are the Douglas fir (which is often 300 feet high and from 8 to 10 feet in diameter) and the red cedar, which approaches the Douglas fir in the matter of girth. Owing to its toughness and strength, the wood of the fir is in demand for building purposes and for ships' spars; the red cedar is used for interior work in houses and in the manufacture of shingles.

The province has a large number of sawmills, and much American, British, and Canadian capital has recently gone into British Columbia timber propositions. The lumber business is conducted as in other provinces, except that in British Columbia the logs are produced steadily throughout the whole year. The companies send their men to the bush

and the logs are submitted to water as rapidly as possible for towing to the mills. Standing timber is estimated worth from 20 cents to \$1.50 per 1,000 feet, according to its quality and location. On practically all of this timber there is 50 cents royalty payable to the Provincial Government. Logging operations cost from \$3.50 to \$6 a thousand, according to locations and capacity and equipment of the outfit. Towage to the mills costs 25 cents to \$1 per 1,000 feet, according to the distance.

When at the mills the logs are graded according to their quality and the amount of cedar lumber that can be cut from them. Some of the largest mills dispose of practically their whole output to the export trade. They load by large sailing vessels, and the stuff is taken to many different countries. The principal markets are Australia, South Africa, United Kingdom, United States, South America, the Pacific Islands, China and Japan. Banks in Vancouver and Victoria derive a large amount of sterling exchange from the export trade in lumber. Exporters draw their drafts or bills on the consignees, ships' manifests are attached, and the paper is taken by the banks. The business is often transacted under authorizations or credits supplied by foreign banking institutions. Consignees or purchasers in foreign countries are able to secure the timber on better terms if they furnish London credits, under which the shipper may draw direct on a London bank. When this is done, the Vancouver bank purchasing the exporters' bills can get its funds back at once.

The Domestic Market.

A large amount of the products of the British Columbia mills is distributed throughout the Canadian middle west. This, of course, is transported by rail; and the traffic fur-

nishes a respectable quota of the earnings of the railways. Under present conditions the expense of hauling the goods across the mountains constitutes a serious difficulty for the sawmilling industry. The two passes by which the Canadian Pacific crosses the Rockies are both over 5,000 feet above the sea. The Crows' Nest Pass, through which the southern branch of the railway runs, is 5,500 feet above sea level; and the Kicking Horse Pass, through which the main line runs, is 5,300 feet above sea level. To climb these heights with heavily laden freight trains requires an enormous expenditure of coal. Freight rates consequently must be placed at a high level in order to make the traffic remunerative. The Yellowhead Pass, through which the Grand Trunk Pacific is to run, is but 3,733 feet above sea level. It is possible that when the new line is in operation freight rates across the mountains may be reduced. If so, the lumber interests of British Columbia will be benefited materially. In financing the domestic trade, the lumber companies draw on time and at sight upon the retail dealers in the prairie towns and cities, and the banks discount the paper.

The Fisheries.

In fishery production, British Columbia stands with Nova Scotia at the head of the provinces. A large proportion of the fishery product is taken from the Pacific Ocean. The salmon is the chief product; halibut, cod, oolachan, sturgeon, herring, shad, and others are also taken. Of these, the salmon and the halibut have given rise to important industries. For canning purposes the sockeye salmon is preferred. This fish runs in enormous quantities up the Fraser and Skeena rivers. At the mouth of the Fraser a very large number of boats are employed during the run.

There is an especially large run of salmon in the Fraser every fourth year, 1909 being the quadrennial big year.

Formerly, the salmon canning industry was carried on by independent concerns only, but a few years ago some 31 canneries on the Fraser River and 14 in northern points of British Columbia consolidated under the name British Columbia Packers' Association—the consolidation representing about 40 per cent. of the total pack of the province.

Operations of the Cannery.

The canning companies own great numbers of small fishing boats and innumerable nets; and when the run of fish commences, the Japanese, Siwash and white fishermen apply for work. These fishermen are dependent upon their catch for the remuneration they are to receive. During the season the fishing boats lie out by the week, and are called upon and relieved of their fish by the cannery power boat—receiving credit for what they deliver to the power boat. The fish are worth from 10 to 35 cents each, according to quality and date. The packing is done almost entirely by machinery. The fish brought in by the power boat are sorted on arrival at the cannery, and the original cleaning done by hand—practically altogether by Siwashes and Japs. Without head and tail the fish is offered to the machine; and then never leaves mechanical process. The machine cuts it to size, presses it into the cans, solders the can, and passes it on, sealed, to the boiling water tanks. After it has been cooked, it is then labeled and packed in cases.

The packing companies borrow largely from the banks to lay in the stock of tin-plate for the making of cans, also for store supplies for the labor to be employed, and then, of course, they require very substantial advances as the pack

is being put up—to pay the fishermen and cannery employees, for fuel, etc. The pack is sold through London and Liverpool, mainly, and to the large cities of the Eastern States—Boston, New York, etc. In the case of exports to England, the stuff goes round the Horn by vessel. Bills of exchange representing the transactions are drawn on the London firms, with ship's manifest and other papers attached. These exports also furnish the Vancouver banks with large amounts of sterling and foreign exchange.

Agriculture

Although agriculture is crowded into the background by the other important industries—lumbering, mining, fishing; and although the mountainous nature of the province does not tend to encourage the farmers, there are nevertheless many stretches of good farming land. They are found chiefly in the long valleys between the mountain ranges, on the lower slopes of the mountains, and at the mouths of the rivers. Wheat, oats, potatoes, and hay are the chief products. In the Okanagan Valley and in several other districts, the fruit-growing industry is developing rapidly, the growing provinces of Alberta and Saskatchewan furnishing a good market. And the coast cities also provide a strong market. The strawberries produced here are especially fine; apples, plums, cherries, peaches, grapes, etc., are also grown.

Foreign Trade.

In foreign trade, Vancouver holds a most important place. Merchandise purchased in China and Japan by Canadian importers comes in through Vancouver. Also much merchandise from the Orient, destined for the United

States, and also for Europe, enters Canada at Vancouver and is transported across the continent. The import trade provides the banks with a large volume of exchange business. Then Vancouver shares with Winnipeg a lucrative business in cashing for tourists numerous letters of credit and travellers' cheques. This is a special feature of the banking business of these two cities.

A heavy movement of investment of British and American capital in British Columbia is more or less in evidence all the time. Vancouver is the natural centre for these transactions. Americans have taken an especial interest in the lumber business, and many of the timber limits have fallen into their hands. They are also heavily interested in mining. British capitalists have interested themselves in pulp and paper concerns, timber propositions and other ventures. The British Columbia Electric Railway is financed on British money.

The shipping interests of the province are extensive; and the annual expenditures on railway construction are very large. Upon completion of the Panama Canal, it is practically certain that Vancouver's importance will be greatly increased, as much of the wheat and other products of Alberta and Saskatchewan will find an outlet through that port. Another great port is developing in the north at Prince Rupert—the Pacific coast terminus of the Grand Trunk Pacific. When that transcontinental railway is completed and in full working order, it is expected that Prince Rupert will imitate Vancouver in the matter of progress.

EXAMINATION QUESTIONS

BANK GEOGRAPHY

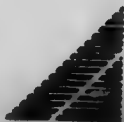
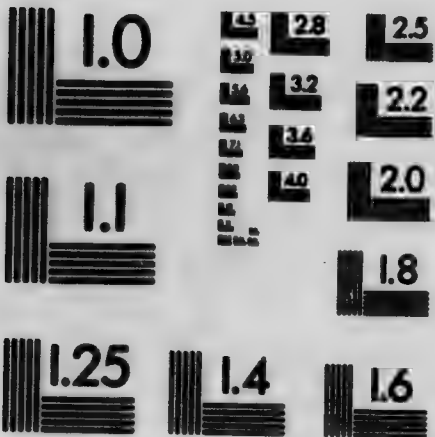
LESSON 7.

- 1.—Give the rates of taxation levied respectively by the governments of Alberta and British Columbia on the banks.
- 2.—Give the details of the business transacted with the banks by the governments of these two provinces, mentioning in each case the names of the banks having the principal portions of the government accounts.
- 3.—Describe Alberta's coal beds, giving the location of the principal mining centres and the chief markets.
- 4.—Explain how the banks assist in financing this industry.
- 5.—Describe the present condition of the ranching industry in Alberta, and explain how it is financed by the banks.
- 6.—Describe the principal features of Alberta's agriculture, noting especially the respects in which it differs from the agricultural features of Manitoba and Saskatchewan.
- 7.—(a) What are the principal minerals produced by British Columbia and the Yukon?



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(b) Name the chief districts where each mineral is produced, and tell how and where it is marketed.

8.—Describe the operations of the British Columbia lumber companies, noting especially the respects in which their operations differ from lumbering operations in Eastern Canada.

9.—Describe the process followed in the salmon canning industry of this province, and explain how the banks assist in financing it.

10.—Tell what you know about Vancouver's foreign trade, giving the principal exports, and their destination, and mentioning where the principal imports come from.

BANK GEOGRAPHY

LESSON 8



.. BY ..

H. M. P. ECKARDT

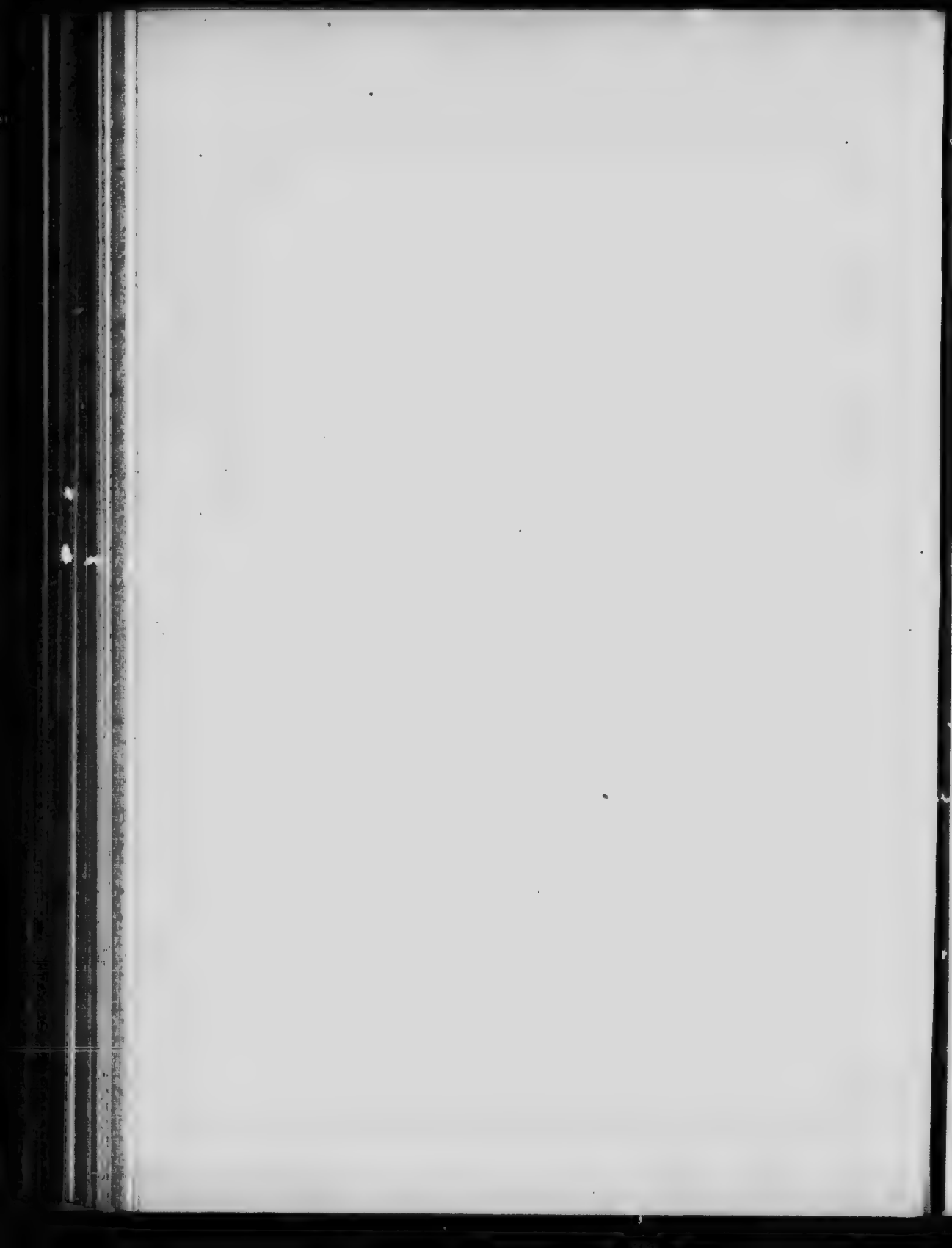
*Author of "Manual of Canadian Banking,"
"A Rational Banking System."*



.. THE ..

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TORONTO, CANADA.**

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BANK GEOGRAPHY

LESSON 8.

BRANCHES ELSEWHERE THAN IN CANADA.

United States.

At the end of 1911 the Canadian bank branches and agencies in the United States were as follows:

	Offices.
Canadian Bank of Commerce	4
Bank of Montreal	3
Bank of Nova Scotia	3
Bank of British North America.....	2
Merchants' Bank of Canada	1
Royal Bank of Canada	1

14

The fourteen establishments here referred to are distributed as follows: Canadian Bank of Commerce, New York, Portland, San Francisco, Seattle; Bank of Montreal, New York, Chicago, Spokane; Bank of Nova Scotia, New York, Boston, Chicago; Bank of British North America, New York, San Francisco; Merchants' Bank of Canada, New York; Royal Bank of Canada, New York.

The New York Agencies.

As the nature of the business transacted by the Canadian banks in New York City was described in the lessons on Practical Banking, it will suffice to say here that the six banks mentioned above use their New York agencies for the following purposes: To carry a portion of the

reserve against liabilities; to deal in exchange; to make investments in securities; to discount paper.

The portion of the reserve carried in New York is mostly in the form of call loans on stocks and bonds, and balances in the large clearing house banks. On their loans in New York State the Canadian banks are obliged to pay a State tax of 1-2 per cent. per annum. The leading brokerage and financial houses are the principal borrowers. They deposit the securities which form the basis of the call loans in envelopes styled loan envelopes. In each case the envelope has a record of the date and amount of the loan and of the security contained. Note forms are not used, the envelope constitutes the evidence of debt. This method represents the manner in which all banks and lenders in the call loan market get around restrictive legislation enacted by New York State.

Exchange Dealings and Investments.

The Canadian banks buy and sell sterling and other exchange, undertake collection of bills on Canada and other transactions. They handle an important part of the exchange representing exports from the United States. Cotton bills, corn bills, wheat bills, flour bills, and bills drawn against exports of other great staples, are bought in large amounts throughout the year. Then they sell their own drafts on London and other European centres, to banks, importers, and other parties. When the parent bank in Canada wishes to transfer gold to Montreal the New York agents arrange the details. They call a certain amount of loans to provide the funds, withdraw legal tender notes or gold certificates, present them at the sub-treasury in New York, and get gold coin. Then they arrange for the pack-

ing of the gold and its shipment by express to Montreal. The actual cost of transferring gold to the Canadian centre is about $5/64$ of 1 per cent, the expressage accounting for $1/16$ per cent. and the boxing and carting $1/64$ per cent. If to this is added one day's interest, an additional $1/64$ might be required.

The bank has occasion at times to put surplus funds into American railroad bonds, or the bonds of traction, gas, power, and industrial companies. The New York agents buy those bonds under instructions from the executive office, and the agents may have the custody of the bonds. Also the agents endeavor to keep informed regarding the circumstances of corporations whose bonds or obligations the bank holds. They also sell the investment securities when the bank desires to utilize the funds in current discounts or in some other way.

The agencies also have a number of borrowing customers—importers, other merchants, and manufacturers—who get advances regularly. They lend on time to the brokerage and financial houses, on the security of bonds and stocks. The law prevents them from doing a regular deposit and banking business in competition with the local New York banks and trust companies. The officers of the agencies are obliged to watch the fluctuations of the securities quoted in the market, and they see that borrowers on call and time loans based on stocks and bonds keep a sufficient margin through all fluctuations. The agents must also give a considerable amount of attention to the fluctuations in exchange quotations. As exchange fluctuations are influenced, among other things, by the movement of exports and imports, the placing abroad of bond issues and special loans, repayment of loans secured in foreign countries, investment

of American funds abroad, tourists' expenditures, they must endeavor to keep informed regarding those matters.

Boston and Chicago.

The business transacted in Boston by the Bank of Nova Scotia is of a general description. The bank takes deposits, discounts paper, buys and sells exchange, and performs the usual banking functions. It should be observed, however, that the Canadian banks are not allowed to issue their own notes to serve as currency at the branches and agencies in the United States. In the Republic only the national banks and the Federal Government have the privilege of note issue; and the national banks are required to deposit with the Treasury Department, as security for their issues of notes, Government bonds to equal the notes in circulation. In fact the notes of a national bank must be countersigned by treasury officials before they can be circulated. Boston does a large trade with Nova Scotia and New Brunswick, and this probably accounts for the establishment there of a branch of the Bank of Nova Scotia. The bank is thus placed in better position for facilitating the exports of Nova Scotian produce—fish, coal, etc.—to the New England States. This Canadian trade would doubtless provide a fair proportion of its business. It is said that in Boston's population are some 50,000 persons of Canadian origin. Some of these expatriated Canadians perhaps furnish business for the Bank of Nova Scotia's branch.

The Bank of Montreal and the Bank of Nova Scotia in Chicago also do general banking business. As Chicago is a great grain centre, grain loans have rather a conspicuous place in the dealings of the Canadian banks at this point. Loans on demand and on time on wheat, corn, and other

leading cereals constitute assets highly regarded for their safety and availability. In granting and carrying such loans, the banks are obliged to exercise great care and watchfulness over the documents which convey the title to the produce forming the basis of the loans. They have to assure themselves that the warehouse and elevator receipts are what they purport to be—that they are actually the obligations of the parties whose names appear thereon, and that the documents are actually represented by grain held subject to the order of the bank.

Branches in the Pacific States.

At Spokane, in Washington, where the Bank of Montreal has a branch, and at Seattle, in the same State, where the Canadian Bank of Commerce is represented, the operations of the Canadian banks are subject to a special act of the State Legislature. They are also subject to all regulations governing state banks. The special act prohibits foreign banks, or branches of foreign banks, from receiving deposits, but it makes an exception in favor of those institutions established prior to the act, namely, the two establishments mentioned at the beginning of this paragraph.

The law in Oregon, which governs the operations of the Canadian Bank of Commerce in Portland, is similar; but California makes no such restrictions. In each of the three states here mentioned the Canadian banks are allowed to do a general banking business; they draw their business from all classes, and not from the foreign and Canadian population in particular.

I am informed that in a general way the Canadian banks, having larger capital resources, attract the bigger class of business requiring heavy advances at certain seasons of the

year; and they are naturally in a better position to handle foreign trade, as they have branches or correspondents in all parts of the world. It is to be remembered that the State of Washington and Oregon do a large business with British Columbia; and the exchanges between Vancouver, Victoria and certain other British Columbian cities, on the one hand, and Portland, Seattle and Spokane on the other, are very large.

In San Francisco the branches maintained by the Canadian Bank of Commerce and the Bank of British North America conduct a general commercial banking business. They thus necessarily assist in financing the operations of fruit growers and canners in bringing their goods to market. They make advances to canners against their goods in warehouse, and later purchase their bills, with shipping documents attached, on points all over the United States and other parts of the world, principally England. They assist also in bringing raw sugar from the Hawaiian Islands to market. In this case they make advances against shipping documents covering the sugar in transit from the Islands to the Pacific Coast refineries and refineries upon the Atlantic seaboard. In the usual course of business they also purchase bills on London and other parts of the world, including largely Australia and the South American Republics, for all classes of exports. The bills on London are drawn with documents attached, to be surrendered upon acceptance or payment, as the case may be, or under letters of credit issued by London bankers.

Europe.

The branches in Europe maintained by the Canadian banks, as at the end of 1911, were altogether in England,

with the exception of the branch established at the French capital by La Banque Nationale. And all of the Canadian branches in England are located in London. Six banks have branch representation at the Imperial capital, namely, Bank of British North America, Bank of Montreal, Canadian Bank of Commerce, Royal Bank of Canada, Dominion Bank, and Union Bank of Canada.

In London the Canadian branches do a general banking business. A portion of the available reserve against liabilities is carried here. Call and short loans on bonds and stocks are made by some of the banks in London; when the money market is favorable the banks will perhaps prefer to buy bills of exchange in the market. In some respects the bills are preferred to call loans. The average broker in London is perhaps not as strong financially as are the important New York brokerage houses. First-class bills are regarded very highly. Bearing the names of one or more strong banks, and perhaps a wealthy mercantile house, a bill of this kind can be disposed of at any time—in the discount market or at the Bank of England—if the bank holding it has need of the funds before the bill matures.

Acceptances.

Bills of this kind are a European institution and are created in large numbers through the acceptance business of the banks. In Europe a mercantile house desiring to settle a debt may elect to draw a three months' bill on its own bankers in preference to borrowing the funds directly from the bank and remitting cash to its creditor.

Let us say that Jones & Co., merchants, have a payment of approximately £1000 to make to Brown & Co. Jones & Co. may draw a bill for £1000 at three months, addressed

their own bankers in London. The bank, which is a large, powerful concern, accepts the bill, thus becoming primarily liable for paying it at maturity. The Jones firm then sends the bill to Brown & Co., who discount it in the market, crediting the proceeds to Jones & Co. The bill then bears the signatures of Jones & Co.'s bank, Jones & Co., and Brown & Co. The bank accepting the bill will charge Jones & Co. a commission of a fraction of 1 per cent. for lending its name; and Jones & Co. must, of course, furnish security and pay the bill at maturity.

Such bills as these figure importantly in the London discount market. Then, bills drawn by all and sundry of the Canadian banks, and by banks and parties in all parts of the world, are also in evidence in the market. Thus, a Winnipeg wholesale house, in remitting funds to its creditor in England, asks its Canadian banker for a 90-day bill on London. The bank draws its own bill on a big London bank at 90 days, and delivers it to the wholesaler, who endorses it, and forwards the document to its English creditor. The English house endorses it, and the acceptance of the London bank is immediately procured. That bill bears the names of the Canadian bank, the London bank, the Winnipeg wholesale house and the English manufacturer—the combination serving to make it rock-ribbed.

Floating Securities in London.

So investment in these bills at London provides the banks with excellent available assets. The London branches sometimes buy also exchequer bills—short-term obligations of the British Treasury—British consols, India Government stock, and other securities, partly for investment, and partly to supplement the reserves of immediately available

assets. Another important function is performed by the London branches. They undertake to market, underwrite, or place in London issues of new bonds, debentures, stocks, made by Canadian governments or corporations. Thus, when the Dominion Government issues a new loan, the Bank of Montreal, London, which is fiscal agent in England for the Dominion, looks after the details of the loan—distributes the underwriting, receives the subscriptions and installments, places the proceeds at disposal of the Canadian Finance Department, and perhaps transfers them to Canada.

The same process is followed when one of the provinces borrows in London, except that each province may employ its own bank or banks to handle the business. Also, when an industrial or other corporation borrows in London, it may employ its own bankers if they have a London branch. For this business the London branches receive commissions or fees regulated according to the nature of the services performed, and according to the competition prevailing for the business undertaken.

Paying Interest and Dividends and Other Business.

Then, as such a large volume of Canadian bonds, debentures, and stocks, are annually placed with investors in Great Britain, it is necessary to arrange for the payment of dividends, coupons and other interest in London. This service also, the Canadian branches undertake. The governments and corporations under obligation to meet these payments remit the necessary funds, and the London branches pay all coupons, dividend cheques, etc., as presented.

The London branches undertake the collection of bills

drawn on Canada; they will also buy or discount Canadian bills for holders in good credit. They have considerable business to transact with tourists from Canada and the United States; and they have much business to handle for the Canadian bank branches in the United States, Newfoundland, Mexico and the West Indies. All of these branches, as well as the branches in the Dominion, are constantly forwarding bills of exchange and other documents.

Of ordinary deposit accounts the London branches have also a certain number. But it is to be remembered that there is probably more competition in banking at London than at any other centre. Besides the Canadian and British banks, there are big French, German, Dutch, Russian, Australian, Indian, Chinese, South American, South African, and other banks.

The London branches perform another valuable service in providing British investors with reliable information regarding Canadian conditions, and in endeavoring to direct the movement of British capital into safe channels.

La Banque Nationale in Paris.

Banque Nationale in Paris does a general banking business. The French people are pre-eminent as savers; and the Paris branch is slowly and steadily building up a respectable balance of deposits. A considerable amount of French capital is now finding its way to Canada; and the branch in Paris is able to do good service in furnishing reliable information as to the safe disposition and proper direction of the stream of investment.

Newfoundland.

At the end of 1911 three Canadian banks had twelve branches in Newfoundland.

	Branches.
Bank of Nova Scotia	7
Bank of Montreal	3
Royal Bank of Canada	2

The account of the Government of Newfoundland is carried at the Bank of Montreal; and the Royal Bank of Canada has the account of the City of St. John's. It is to be noted that the Canadian banks supply practically the whole of the commercial banking facilities available on the Island. There is a Government savings bank, holding deposits of a little over \$3,000,000; outside of that, there are only the Canadian banks. The Bank of Nova Scotia and the Bank of Montreal opened in St. John's in December, 1894, immediately after the failure of the colony's two banks—the Union Bank of Newfoundland and the Commercial Bank of Newfoundland. These two local banks both failed the same day—10th December, 1894; and until the Canadian banks came in there was a short period in which the Island had no currency and no banking facilities.

The Royal Bank of Canada—then known as the Merchants' Bank of Halifax—established its branch in St. John's in 1895.

The bank notes issued by the three Canadian banks, together with the silver coinage and a few gold coins, constitute the entire currency of the Island.

Fisheries

The fishing industry of course provides the Newfoundlanders with their principal occupation; and it therefore directly and indirectly provides the banks with the major part of their business. The principal fish and marine products exported by Newfoundland are: Cod, seal, lobsters,

herring, salmon, cod oil, seal oil, whale oil, seal skins. These shipments of fish and sea products comprise over 80 per cent. of the total exports. Then exports of minerals account for a further 10 or 11 per cent.; and other exports are unimportant.

By far the most important fishery export is that of dry cod. It comprises approximately 70 per cent. of the total of exports of all kinds. Brazil, Portugal, Italy, and Spain are the principal markets. Smaller quantities are sent to Canada, the British West Indies, the United Kingdom, the American West Indies and the United States.

The Newfoundland fish merchants also outfit for the Labrador fishery. They have their agents stationed at places on the Labrador coast where the catch is collected, dried, and laden for market. A large proportion of the Labrador catch is brought to Newfoundland and "hard" cured. The Labrador season lasts from 1st June to 31st October. Nearly all of the fishermen spend the winter in Newfoundland. Exports of fish direct from Labrador are principally Italy, Spain, Greece, and the United Kingdom. The export movement is financed by the Canadian banks in Newfoundland; they buy the bills drawn by the big Newfoundland merchants on these importing countries.

The fishing industry in Newfoundland is in the hands of a few big concerns, requiring but little capital—as fishermen are not paid, nor accounts for provisions, outfitting, and bait, settled until the fish is shipped and consignees have been drawn upon. Little direct borrowing therefore occurs. But the banks cash sterling bills on London, and bills drawn on Mediterranean and South American points up to very considerable amounts. Thus, the accounts of the big fishery companies would consist largely of deposits of

proceeds of bills of exchange, and of disbursements of funds for paying the fishermen, paying for bait, for fishing outfits, provisions, etc. Also, the individual fishermen in many cases operate savings accounts.

Minerals and Manufactures.

The mineral exports are comprised chiefly of iron ore taken from the Newfoundland mines by the Dominion Iron and Steel Co. and the Nova Scotia Steel and Coal Co. The principal iron mines are on Bell Island, near St. John's. Over 2,000 men are employed the year round; a considerable number of fishermen are accustomed to get work there in seasons during which fishing is impossible. As the exports of iron ore go to Canada, and as the same parties thus act as exporters from Newfoundland and importers into Canada, bills of exchange are not necessitated to represent the export movement, although the Newfoundland representatives may draw on the parent concerns to provide funds for meeting expenses. The Canadian companies pay a royalty to the Newfoundland Government, and they are, of course, obliged to expend a considerable amount of money in Newfoundland in connection with their iron mining operations. Such funds are transferred from Canada.

Apart from the iron ore, the exports of minerals are composed almost wholly of copper.

A prominent place in the industrial system of Newfoundland is held by the Reid Newfoundland Co. This company is identified with the fishery, railroad, shipping, lumbering and other industries.

Lumbering operations in the colony are important. Altogether, there are from 300 to 400 sawmills at work during the summer months. Most of the product is consumed locally. Considerable development has been taking

place in pulp and paper manufacture. Eventually, these items may serve to increase the exports materially. The Anglo-Newfoundland Development Co., which has large mills at Grand Falls, began operations at the end of 1909. This company employs about 2,000 men, as well as an additional force, varying between 100 and 200 men, required for loading its products on the ships.

The Albert Reed Co. also has important pulp and paper mills; and another manufacturing concern is establishing a plant at Bay of Islands.

Agriculture and the Import Trade.

Agriculture in Newfoundland is not of much consequence; but the settlement of the industrial colonies—for pulp manufacturing, lumbering, mining—tends to promote agricultural operations in nearby localities, wherever the soil is at all suitable.

The three principal items of imports are flour, meat, and coal. Items of lesser importance are: Dry goods, leather and leatherware, molasses, hardware, olein, cotton fabrics, small wares, sugar, animals, ready-mades, and tea. Canadian flour milling companies supply over 70 per cent. of the flour imported by the colony; the United States supplies the remainder. On the other hand, the big American meat-packing concerns have the lion's share of the meat import trade. Roughly, 85 per cent. of the meat imports are shipped from the United States. With the exception of some 20,000 tons of anthracite secured from the United States, the coal imports consist altogether of bituminous coal from the Nova Scotia mines.

West Indies.

At the end of 1911, the Royal Bank of Canada had 24 branches in the West Indies, and the Bank of Nova Scotia

had 11. The West Indian branches of the Royal comprised 16 in Cuba, 3 in Porto Rico, 2 in Trinidad, and 1 in each of the following islands: Bahamas, Barbados, Jamaica, Dominican Republic. The Bank of Nova Scotia's branches, as at the end of 1911, were distributed as follows: In Jamaica, 8; in Cuba, 2; in Porto Rico, 1. Thus it will be seen that, as regards the Royal, Cuba is the most important field of operations in the West Indies; and as regards the Nova Scotia, Jamaica is the most important field.

Cuba—The Sugar Crop.

The Cuban branches of the Royal, as at the end of 1911, were: Antilla, Bayamo, Caibarien, Ciego de Avila, Camaguey, Cienfuegos, Cardenas, Guantanamo, Havana (2), Manzanillo, Matanzas, Sagua, Puerta Padre, Sancti Spiritus, Santiago de Cuba; while the Cuban branches of the Nova Scotia at the same time were at Cienfuegos and Havana.

The books of the branches in Cuba are kept in both American and Spanish currency; in Jamaica and in the Bahamas, they are kept in sterling; in all other West Indian islands, where the Canadian banks have branches, the books are kept in dollars. In Cuba, the Canadian banks are not empowered to issue note serve as currency.

In Cuba, the National Bank of Cuba is government depository. This bank has, capital and surplus, \$6,100,000; total resources, \$36,000,000, and 122 branches.

The principal products of Cuba are sugar and tobacco. The Canadian banks make advances to sugar and tobacco planters for expenses during the dead season, to be repaid yearly when the crop has been marketed. They make ad-

vances also to merchants and industrial concerns, as they do in Canada. The important customers are chiefly planters, manufacturers and merchants, who are usually of Spanish, Cuban, and American nationality. In financing the sugar crop, the banks and private bankers make advances to meet expenses of operating and delivering the crop at the seaboard. Repayment is made by sight drafts on consignees, with bills of lading attached. A number of sugar plantations owned by American and European companies are financed from home. The sugar industry is mostly in the hands of large companies and wealthy individuals. Practically the entire sugar crop is shipped to New York.

In the Cuban and Jamaican sugar industry, the United Fruit Company, of Boston, plays a leading part. On September 30th, 1911, this company's properties in the two islands referred to appear at a book cost of about \$10, 000,000. Approximately three-quarters of this property value represented the Cuban property. It consisted of a sugar mill at Banes, railway lines, lands, plantations, houses and buildings, live stock, etc. The company avails itself extensively of the facilities supplied by the Canadian banks.

Tobacco Crops and Other Business.

The tobacco industry in Cuba is mainly in the hands of small, independent planters. Leaf tobacco is shipped largely to New York and Southern cities, such as Tampa and Key West. Cigars and cigarettes are shipped to New York, Liverpool, Hamburg, and other American and European ports—the United States taking the largest part.

When Cuban products are shipped to the United States,

shippers draw on New York in dollars; when products are shipped to Canada, shippers draw on Montreal or Halifax in dollars. Bills against shipments to Europe are, of course, drawn mostly in sterling.

The principal Cuban ports of export are: Havana, Matanzas, Cardenas, Caibarien, Sagua and Cienfuegos.

It is said that in Cuba there is not so much in the way of fixed deposits as in current accounts. Loans to tobacco growers, cattle raisers, and sugar centrals, are made usually in the form of overdrafts. When the stuff is sold, the bank covers the overdraft. Notes are not used.

Both the Royal and the Nova Scotia have a number of Cubans on their staff, mostly men who have been put on as a result of some big customer's advice or solicitation. When clerks from Canada are sent to Cuba they usually pick up a working vocabulary of Spanish in a few months.

Jamaica—The Banana Industry.

The Jamaican branches of the Bank of Nova Scotia are at Kingston, Mandeville, Montego Bay, Port Antonio, Port Maria, Savanna-la-Mar, St. Ann's Bay, Black River; and the Royal has one branch—at Kingston.

In this island the Canadian banks are empowered to issue notes to serve as currency. The notes are issued by permission of the Colonial Office, London. Denominations used in Jamaica are £1 and £5. In extending permission to the Canadian banks to issue notes, for currency, in the British West Indies, the Colonial Office generally requires the banks to deposit security in London, or locally, to cover the same. The paper currency of the Island consists of the notes issued by the Bank of Nova Scotia, Colonial Bank, and Royal Bank of Canada.

The chief products of Jamaica, in order of total value, are: Bananas, rum, coffee, sugar, logwood extract, cocoa, logwood, cocoanuts, cigars. The business transacted by the Canadian banks in the Island consists chiefly of advances to planters and business houses, buying and selling exchange, savings departments, and bank note circulation. They deal with practically all classes of the people.

The banana industry is in the hands of large companies and many small planters. The small planters sell to the large companies, either for cash or by contract. Bananas are shipped chiefly to New York, Boston, Philadelphia, Baltimore. Against shipments to the United States ports, bills are drawn on New York, unless shippers are authorized to draw on London in sterling under letter of credit.

The United Fruit Company holds a predominant place in the Jamaican banana trade. The company ships the produce from its own banana lands to the United States and to Europe; and it also buys large quantities of bananas from the small planters. The company pays cash at the wharf in Kingston and Port Antonio, and draws on New York for funds.

Other Business in Jamaica

In Jamaica, the banks have not a very extensive business in the way of lending to small planters. They do grant loans up to \$1,000 or so to the small planters; but the business is not extensive. On the other hand, deposits are heavy. There are various old-established companies in the Island, which keep big balances in the banks and advance funds to the growers. The small branches of the Canadian banks in Jamaica are practically all deposits.

Although there is a movement on foot to encourage

small plantations, the sugar industry of Jamaica is as yet chiefly in the hands of large companies. The Colonial Bank, an English institution, takes an active part in financing this industry. It is able to advance against crops and real estate, while of course the banking laws of Canada forbid the Canadian banks lending on real estate security.

Jamaican sugar is shipped principally to Halifax and Montreal. Against the shipments to these Canadian ports the shippers draw bills on Halifax and Montreal in dollars and in sterling, and also, in some cases, in sterling on London under letters of credit.

While Kingston and Port Antonio are the two principal ports for export, the following places also figure as export ports. Morant Bay, Lucea, Montego Bay, Falmouth, St. Ann's Bay, Port Maria, Annotto Bay, Manchioneal.

It is to be remembered that while Cuba has an independent government, under the protection, and, to a certain extent, under the tutelage of the United States, Jamaica is an old British colony.

Porto Rico—The Sugar Trade.

In this Island the Royal Bank of Canada has three branches, namely, San Juan, Mayaguez, and Ponce; and the Bank of Nova Scotia has one branch—at San Juan. Here also the banks carry on a general banking business similar to that carried on in Canada. However, in Porto Rico, as in Cuba, they are not empowered to issue their own notes to serve as currency. The principal products are sugar, tobacco, coffee, and fruit. Exports of fruit consist chiefly of pineapples, grapefruit, and oranges. The banks deal with the sugar industry—cane planters and manufacturers—and with the coffee industry, which has

been stimulated by the high prices of the past two or three years. The fruit and tobacco people also enter largely into the business of the banks, while merchants, commission houses, and exporters are regarded as valuable clients.

The sugar industry is in the hands of large companies; the banks assist it by means of crop advances for cane cultivation and administration expenses during the dead season, which extends from early July till January of the following year. With the commencement of the grinding season, in January, these borrowers are expected to reduce their indebtedness; and all loans are expected to be liquidated in full before the middle of June. The manufacturers, as a rule, buy the planter's sugar, and ship it, with their own, either direct to commission houses in the United States; or they sell in the local market to Porto Rican purchasers. If they ship to the United States they draw clean bills of exchange (no documents attached) on the consignees; and sell these bills to banks on the Island. And if they sell sugar to local dealers they receive payment upon delivery at a shipping port. All sugar exported by Porto Rico goes to the United States; the Island ships practically none of its products to Canada.

Tobacco, Coffee and Fruit.

The tobacco industry is chiefly carried on and financed by the Porto Rican-American Tobacco Co., which is affiliated with the American Tobacco Trust. There are, however, many small independent growers and manufacturers who are financed either from the United States or by local commission houses and exporters. On account of the precarious nature of the crop, local banks are extremely careful in making advances for tobacco cultivation. Tobacco exports also go entirely to the United States.

With reference to coffee, it should be said that there are a number of coffee exporting houses in the different towns of the coffee districts, that make advances to the planters, some of them borrowing from the banks for that purpose. Such loans are current from three to four months. The coffee and fruit-growing industries are largely in the hands of small planters. Some of the larger planters who are in good credit borrow direct from the banks. A large part of the coffee crop is sent to Cuba and the balance to Europe—none whatever being shipped to the United States. In the case of shipments to Cuba, payment is generally made to some New York connection of the local exporters upon receipt of the goods. European shipments are usually financed by credits established through London banks and bankers.

Pineapples, grape-fruit, and oranges are shipped by the growers in about equal proportions to New York fruit commission houses and the Porto Rico Fruit Exchange (an association formed by local growers for the purpose of marketing their fruit.) The banks assist the fruit people to a small extent during the off-season; but the industry has not yet reached large enough proportions to compare with other crops, although it is growing very rapidly, and should shortly be of considerable importance.

Trinidad, Barbados and the Bahamas.

In Trinidad, the Royal Bank has two branches—Port-of-Spain and San Fernando. In Barbados, the same bank has one branch—at Bridgetown, and in the Bahamas, one—at Nassau. The bank issues its own notes to serve as currency in Trinidad and Barbados—the denominations used being \$5, \$20 and \$100; at present it has no issue in the

Bahamas. In Trinidad, the paper currency consists of notes issued by the Royal Bank, Colonial Bank, and the Government of the Island; in Barbados, of notes of the Royal Bank and Colonial Bank; in the Bahamas, the Bank of Nassau issues £1 and 4-shilling notes.

The chief products of Trinidad are cocoa, sugar, asphalt, cocoanuts, spirits, coal. Of the total exports one-third goes to the United States; one-fifth each to the United Kingdom and France; and one-tenth each to Canada and Venezuela. Banks locally assist the cocoa planters in the out-of-crop season. The cocoa goes chiefly to New York, London and European ports. Most of the sugar estates are owned by Scotch and English firms; and the financing for the growing crops is generally done through London. In the case of shipments to Montreal and New York, the proceeds are remitted to London. Sugar is exported from Port-of-Spain and San Fernando. Port-of-Spain is the chief port for export.

The chief products of Barbados are molasses, sugar, coal, fish, raw cotton, fruit. One-half of the exports go to Canada and Newfoundland; one-quarter is shared between the United Kingdom and the British West Indian Islands.

Barbados has an agricultural bank under government control; and this bank does a large proportion of the advancing—the remainder being distributed among the other banks and private firms. Sugar and its by-products are the principal exports. Bridgetown is the port. Sugar and molasses go to Canada; bananas to Europe; sea island cotton also to Europe.

The chief products of the Bahamas are sponges, hemp, pineapples, turtle shells. Of the exports, five-eighths go to the United States; one-eighth goes to the United Kingdom;

smaller proportions to Germany, France, Holland and Canada.

Mexico.

In Mexico, the Canadian banks have two offices—the Bank of Montreal and the Canadian Bank of Commerce each being represented by a branch in Mexico City.

Mexico has 27 states, 3 territories, and 1 federal district—the last-named corresponding to the federal district in the United States, in which the capital is located.

With reference to the Canadian bank branches in Mexico, it is necessary to remember that the conditions under which they work are different from the conditions prevailing in Newfoundland and the West Indies. In Newfoundland, for example, the Canadian banks transact practically the whole of the commercial banking business. And in the West Indies generally they have reached a position of great importance in relation to the other banking institutions. But in Mexico there is a large state bank—National Bank of Mexico—and another large concern with special privileges—Bank of London and Mexico. These two banks have the bulk of the business of note issue. The Canadian banks have no note-issuing rights in the Republic. In a number of the Mexican states, banks of issue have been founded. The laws are such as to give a practical monopoly of issue power to the first bank founded in each state. Thus, each one of the important Mexican states has its local bank of issue, with branches in the principal business centres. The state banks, however, do not establish branches in the federal district. Their business in the Mexican capital is handled by the Banco-Central, or Mexican Central Bank, which was established at the beginning of 1895—the capital

being subscribed by a syndicate headed by Messrs. J. P. Morgan & Co., of New York, and two of the great German banking companies, of Berlin.

This Mexican Central Bank redeems the notes of the state banks at the capital, holds their balances, and lends money to them. It also stands ready to assist them when trouble threatens. The National Bank of Mexico was originally formed by French capitalists; and the Bank of London and Mexico largely by English bankers. The last-named institution was the first real banking office established in Mexico. It commenced in 1864. The institution now known as the National Bank of Mexico got its concession or charter in 1881.

So it will be seen that when the Canadian banks entered Mexico the field was already occupied by several powerful concerns.

Foreign Trade.

The different parts of Mexico have widely varying climates; and agricultural production is large and varied. But agriculture has suffered, to a certain extent, because of the large share of attention given to mining—of gold and silver notably. The Canadian banks, being confined to Mexico City, do not come directly in contact with the agricultural industry, except in the way of buying the exchange representing the export of the products.

The exports of Mexico are gold, silver, copper, coffee, henequen, ixtle, cabinet woods, chicle, rubber, hides and skins, tobacco and sugar; and the principal imports are railway material, industrial machinery, cottons, woollens and linens, hardware, furniture, building materials, mining supplies, drugs and chemicals, wines, spirits, wheat, Indian corn.

The exports of gold and silver comprise about one-half the total exportation; and exports of rubber, henequen and raw hides comprise a further one-sixth of the whole.

This foreign trade gives rise to large operations in exchange.

Until the end of 1904, Mexico was on a silver basis; and as silver fluctuated widely in value, the currency of the country lacked stability. The gold standard was adopted by a law passed December 9, 1904, which went into effect March, 1905. Since then a large amount of American, European and Canadian capital has been invested in the country.

Nature of the Banking Business.

In his monograph on the "Banking System of Mexico," Charles A. Conant, a prominent American writer, thus describes the general character of banking in Mexico:

"The method of extending accommodation to commerce by the banks of Mexico differs in several respects from the methods pursued in other countries. The comparatively small proportion of commercial operations of the type which afford suitable paper for discount compels the banks, with due regard for the encouragement of Mexican industry, to make loans for longer terms and in a different manner than the banks in Europe and the United States. The law regarding discounts requires that paper discounted shall bear at least two signatures, and shall be payable in not more than six months. It is not through discounts, however, that the bulk of Mexican banking business is done. The bulk of the assets of a commercial bank in Mexico consists of notes deposited as a pledge for advances made by the bank; but these notes are not endorsed over to the bank, as in Europe and America.

"The client who has received an advance upon the deposit of a note as collateral is debtor to the bank to the amount of the advance if the paper is not paid at maturity. Banks in nearly all cases hold the paper until maturity, and the advances are usually for a period of not less than nine months, and sometimes for a year. This detracts from the convertibility of the assets, but the position of the local banks has been materially strengthened by the arrangement made with the Banco Central for discounting their own paper in case of need. The advances made upon commercial paper in this manner afford returns often running to 8 and 9 per cent. The paper is selected with considerable care, and Mexican debtors are usually punctilious in keeping their engagements. The character of the paper carried is verified by the commissioners of the Government, who are not tolerant towards obligations with signatures of doubtful value. In order to make loans under the conditions which exist in Mexico, a minute knowledge is required of the men to whom credit is granted, and of the character of the business which they carry on."

Business of the Canadian Banks.

Speaking generally, the business transacted by the Canadian banks in Mexico is much the same as at their branches in the larger Canadian centres, except for the slight extent to which it must be modified to keep strictly within the banking laws of both countries, and to meet, in some measure, the different business customs and practices which obtain in Mexico. While the greater part of their business is with the British and American interests who control most of the important Mexican industrial enterprises, the Canadian banks nevertheless count many desir-

able Mexican connections among their clientele; and, by reason of their better organization and closer banking connections throughout the world, they are able to offer rather better facilities for general business than can the Mexican and other foreign banks—except in the matter of interior exchanges, where the Mexican banks naturally have the advantage because of their many branches.

As Mexico City is the capital and financial centre of the Republic, a considerable amount of foreign exchange business is available there; but, as exchange rates are to a certain extent regulated arbitrarily by the government, through its agents, the National Bank of Mexico, the Canadian banks do not find the exchange business as profitable as it would be if the market were entirely free and open.

There are in Mexico a number of powerful electric light, power, and tramway corporations, in which Canadian capital is largely interested. As the Canadian interests controlling, or participating in the control of, these corporations are closely affiliated with one or other of the two Canadian banks established in Mexico City, naturally, the banking business of the corporations is transacted by the Canadian institutions. Among these companies are Mexican Electric Light Co., Mexican Light and Power Co., Mexican Northern Power Co., Pachuca Light and Power Co., Monterrey Railway, Light and Power Co., and Mexico Tramways Co.

EXAMINATION QUESTIONS

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LESSON 8.

1.—Describe briefly the various services performed for the bank by its New York agency.

2.—At what points in the Pacific States are there Canadian bank branches? And what is the general nature of the business done by these branches?

3.—Describe briefly the various services performed for the bank by its branch in London, England.

4.—Explain the business in “acceptances” practised by banks in Europe.

5.—(a) Explain how the entire banking business of Newfoundland fell into the hands of the Canadian banks.

(b) What are the principal fish and marine products of Newfoundland? Where are the chief markets? And how do the Canadian banks finance the industry?

6.—Give particulars of the iron mining industry in Newfoundland, explaining by what parties it is controlled, how it is financed, and where the output of the mines is sent.

7.—Describe briefly the nature of the business transacted in Cuba by the Canadian banks.

8.—(a) What are the chief products of Jamaica? How are they financed, and where are they exported to?

(b) In which of the West Indian Islands do the Canadian banks issue notes to serve as currency? In what denominations and under what conditions are the notes issued?

9.—What is the general nature of the business transacted in Mexico by the Canadian banks?

10.—Name the principal Mexican banks. Mention some peculiarities of the banking business done by them.

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